



Rea & associates *a brighter way*

Martins Ferry City School District Belmont County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015



Dave Yost • Auditor of State

Board of Education
Martins Ferry City School District
5001 Ayers Limestone Rd
Martins Ferry, OH 43935

We have reviewed the *Independent Auditor's Report* of the Martins Ferry City School District, Belmont County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Martins Ferry City 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

May 11, 2016

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Belmont County, Ohio
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March 14, 2016

To the Board of Education
Martins Ferry City School District
Belmont County, Ohio
5001 Ayers Limestone Road
Martins Ferry, OH 43935

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Martins Ferry City School District, Belmont County, Ohio, (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Martins Ferry City School District, Belmont County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparisons for the general fund and the schoolwide pool fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 3 the School District restated the net position balance to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of School District's Contributions on pages 4–12, 58-59, and 60–63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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

Financial Highlights

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

- In total, net position increased \$664,332.
- General revenues accounted for \$12,536,854 in revenue or approximately 72 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions, accounted for \$4,859,574 or approximately 28 percent of total revenues of \$17,396,428.
- Total assets of governmental activities increased \$302,142. Current assets increased by \$1,443,860 primarily due to an increase in cash and cash equivalents due to an increase in intergovernmental revenue, as well as conservative spending. Capital assets decreased \$1,141,718 primarily due to depreciation expense which was offset slightly by capital asset additions and construction in progress for a new lighting system at the football stadium.
- The School District had \$16,732,096 in expenses related to governmental activities; only \$4,859,574 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues of \$12,536,854 were adequate to provide for these programs.
- Total governmental funds had \$17,339,546 in revenues and \$15,852,601 in expenditures. Overall, including other financing sources and uses, Total Governmental Funds' balance increased \$1,486,945.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial

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transactions and asks the question, "How did we do financially during fiscal year 2015" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, food service operations, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 10. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Schoolwide Pool Special Revenue Fund, and the Debt Service Fund.

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

Reporting the District's Fiduciary Responsibilities

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

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The School District as a Whole

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

Table 1
Net Position

	Governmental Activities		Net Change
	2015	Restated 2014	
Assets			
Current and Other Assets	\$8,732,545	\$7,288,685	\$1,443,860
Capital Assets	<u>36,603,544</u>	<u>37,745,262</u>	<u>(1,141,718)</u>
Total Assets	<u>45,336,089</u>	<u>45,033,947</u>	<u>302,142</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	0	603,580	(603,580)
Pension	<u>1,133,278</u>	<u>949,779</u>	<u>183,499</u>
Total Deferred Outflows of Resources	<u>1,133,278</u>	<u>1,553,359</u>	<u>(420,081)</u>
Liabilities			
Current and Other Liabilities	1,611,291	1,644,887	(33,596)
Long-Term Liabilities:			
Due Within One Year	689,822	674,199	15,623
Due in More than One Year:			
Net Pension Liability	16,253,416	19,318,874	(3,065,458)
Other Amounts	<u>12,874,019</u>	<u>13,453,135</u>	<u>(579,116)</u>
Total Liabilities	<u>31,428,548</u>	<u>35,091,095</u>	<u>(3,662,547)</u>
Deferred Inflows of Resources			
Property Taxes	2,859,686	2,927,300	(67,614)
Pension	<u>2,947,890</u>	<u>0</u>	<u>2,947,890</u>
Total Deferred Inflows of Resources	<u>5,807,576</u>	<u>2,927,300</u>	<u>2,880,276</u>
Net Position			
Net Investment in Capital Assets	24,238,469	25,305,199	(1,066,730)
Restricted	1,905,913	1,763,564	142,349
Unrestricted (Deficit)	<u>(16,911,139)</u>	<u>(18,499,852)</u>	<u>1,588,713</u>
Total Net Position	<u>\$9,233,243</u>	<u>\$8,568,911</u>	<u>\$664,332</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$26,938,006 to \$8,568,911.

Total assets of governmental activities increased \$302,142. Current assets increased by \$1,443,860 primarily due to an increase in cash and cash equivalents due to an increase in intergovernmental revenue, as well as conservative spending. Capital assets decreased \$1,141,718 primarily due to depreciation expense which was offset slightly by capital asset additions and construction in progress for a new lighting system at the football stadium. Total liabilities decreased \$3,662,547 primarily due to the decrease in net pension liability, as well as annual principal repayments on long-term obligations.

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

Table 2			
Changes in Net Position			
Governmental Activities			
	2015	2014	Net Change
Revenues			
<i>Program Revenue</i>			
Charges for Services and Sales	\$1,567,698	\$1,505,896	\$61,802
Operating Grants and Contributions	3,291,876	3,160,129	131,747
<i>Total Program Revenue</i>	4,859,574	4,666,025	193,549
<i>General Revenue</i>			
Property Taxes	3,066,107	3,031,921	34,186
Grants and Entitlements	9,338,338	8,797,502	540,836
Gifts and Donations	3,900	25,737	(21,837)
Investment Earnings	610	2,505	(1,895)
Miscellaneous	127,899	41,182	86,717
<i>Total General Revenue</i>	12,536,854	11,898,847	638,007
Total Revenues	17,396,428	16,564,872	831,556
Program Expenses			
Instruction:			
Regular	7,135,750	7,256,774	(121,024)
Special	2,185,173	2,149,884	35,289
Vocational	291,915	316,740	(24,825)
Student Intervention Services	93,011	76,964	16,047
Support Services:			
Pupil	507,603	570,079	(62,476)
Instructional Staff	343,387	382,997	(39,610)
Board of Education	29,014	39,099	(10,085)
Administration	1,263,698	1,153,583	110,115
Fiscal	372,497	365,340	7,157
Operation and Maintenance of Plant	1,341,873	1,403,238	(61,365)
Pupil Transportation	687,545	829,894	(142,349)
Central	70,314	78,974	(8,660)
Operation of Non-Instructional Services	145,986	178,281	(32,295)
Food Service Operations	741,122	771,127	(30,005)
Extracurricular Activities	413,146	395,607	17,539
Interest and Fiscal Charges	1,110,062	786,274	323,788
Total Expenses	16,732,096	16,754,855	(22,759)
Change in Net Position	664,332	(189,983)	854,315
Net Position Beginning of Year	8,568,911	NA	
Net Position End of Year	\$9,233,243	\$8,568,911	\$664,332

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$949,779 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$678,640. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 GASB 68 program expenses under GASB 68	\$16,732,096
Pension expense under GASB 68	(678,640)
2015 contractually required contribution	<u>979,707</u>
Adjusted 2015 program expenses	17,033,163
Total 2014 program expenses under GASB 27	<u>16,754,855</u>
Increase in program expenses not related to pension	<u><u>\$278,308</u></u>

Property taxes comprise 18 percent of revenues for the School District, whereas unrestricted grants and entitlements comprise 54 percent of revenues for fiscal year 2015. Program revenue operating grants increased \$131,474 from the prior year.

Instruction comprises approximately 58 percent of governmental program expenses, and reflected a decrease of \$94,513 from fiscal year 2014. The largest decrease in instructional spending was for regular instruction. Overall, program expenses not related to pension increased \$278,308.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2015 compared to fiscal year 2014. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements. The 2014 amounts still include pension expense computed under GASB 27.

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Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction:				
Regular	\$7,135,750	\$7,256,774	\$5,347,007	\$5,578,934
Special	2,185,173	2,149,884	360,175	450,481
Vocational	291,915	316,740	211,557	262,336
Student Intervention Services	93,011	76,964	93,011	76,964
Support Services:				
Pupil	507,603	570,079	507,603	568,534
Instructional Staff	343,387	382,997	341,342	380,167
Board of Education	29,014	39,099	29,014	39,099
Administration	1,263,698	1,153,583	1,260,234	1,153,583
Fiscal	372,497	365,340	132,152	97,484
Operation and Maintenance of Plant	1,341,873	1,403,238	1,341,873	1,368,277
Pupil Transportation	687,545	829,894	687,545	829,894
Central	70,314	78,974	66,932	66,440
Operation of Non-Instructional Services	145,986	178,281	(49,717)	33,724
Food Service Operations	741,122	771,127	113,959	109,521
Extracurricular Activities	413,146	395,607	319,773	287,118
Interest and Fiscal Charges	1,110,062	786,274	1,110,062	786,274
Total Expenses	<u>\$16,732,096</u>	<u>\$16,754,855</u>	<u>\$11,872,522</u>	<u>\$12,088,830</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as approximately 71 percent of total expenses are supported through taxes and other general revenues.

The School District Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. The School District has three major funds, the General Fund, the Schoolwide Pool Special Revenue Fund, and the Debt Service Fund. The General Fund had \$14,428,475 in revenues and \$11,384,445 in expenditures. Including other financing uses, the General Fund's balance increased \$1,402,458. The Schoolwide Pool Fund had \$581,936 in revenues and \$2,223,508 in expenditures. Including other financing sources, the Schoolwide Pool had no change in fund balance. The Debt Service Fund had revenues in the amount of \$712,811 and expenditures in the amount of \$656,305, which resulted in a fund balance increase in the amount of \$56,506.

General Fund Budgeting Highlights

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

During the course of fiscal 2015, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflected a significant increase in intergovernmental revenue estimates. Changes between original and final budgeted appropriations were not significant. The actual results of operations were different

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than budgeted amounts as spending in all categories was higher than budgeted appropriations; there was no significant difference between final estimated revenues and actual.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$36,603,544 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of depreciation. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014.

Table 4
Capital Assets Net of Depreciation

	Governmental Activities	
	2015	2014
Land	\$2,436,556	\$2,436,556
Construction in Progress	176,420	0
Land Improvements	2,561,396	2,703,344
Buildings and Improvements	30,941,720	31,958,679
Furniture and Equipment	331,140	444,876
Vehicles	156,312	201,807
Totals	\$36,603,544	\$37,745,262

See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2015, the School District had \$9,952,197 in outstanding general obligation bonds including accretion of interest on capital appreciation bonds, premiums, and discounts. In addition, the School District had \$2,839,894 in outstanding capital leases. The net pension liability under GASB 68 is also reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis.

Table 4
Outstanding Debt at Fiscal Year End
Governmental Activities

	2015	2014
2005 School Construction and Improvement Bonds		
Serial/Term Bonds	\$325,000	\$540,000
Premium	20,010	30,015
2012 Refunding Bonds		
Serial Bonds	7,610,000	7,775,000
Capital Appreciation Bonds	294,992	294,992
Accretion on Capital Appreciation Bonds	407,006	236,136
Premium	1,362,994	1,438,705
Discount	(67,805)	(71,572)
Capital Leases	2,839,894	3,066,518
Total	\$12,792,091	\$13,309,794

See Note 16 for more detailed information related to the School District's debt.

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Economic Factors

The School District began fiscal year 2015 with a General Fund surplus fund balance. The School District continued a schoolwide pool for the elementary school, where 40 percent of the student population qualifies for a free or reduced lunch, which combines General Fund moneys with Title I and Title II-A federal moneys that allows the School District more flexibility for the use of Federal funds. For fiscal year 2015, there was a four percent increase on the base salary schedule, followed by a four percent increase on the base salary schedule for fiscal year 2016, with a wage and benefit reopener set for fiscal year 2017.

The School District Board of Education approved a forecast reflecting a decrease in revenues for fiscal year 2016. The School District State Foundation revenue is forecasted to increase for fiscal year 2017 and stay flat throughout the remainder of the forecast. The forecast reflects increases in expenditures for fiscal year 2016 and continuing to increase throughout the remainder of the forecast. Salary and wage expenses are expected to increase as a result of a four percent wage increase in fiscal years 2016 as part the current negotiated contract. Retirement benefits are expected to increase in correlation to the increases in wages. Health benefits expenses are also expected to continue to increase.

During fiscal year 2015, the School District entered into three "Paid-Up" Oil and Gas Leases with Gulfport Corporation and American Energy-Utica LLC. The School District received signing bonuses in the amount of \$26,672.25. See Contingency Note 20 and Subsequent Event Note 21 for more detailed information.

On October 1, 2015, the School District issued \$1,500,000 qualified zone academy bonds (QZAB) to be used to fund energy savings projects throughout the School District and to create a STEM Academy. See Subsequent Event Note 21 for more detailed information.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Karen Blake, Treasurer/CFO at Martins Ferry City School District, 5001 Ayers Limestone Rd, Martins Ferry, Ohio 43935.

Basic Financial Statements

Martins Ferry City School District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,801,245
Intergovernmental Receivable	344,181
Materials and Supplies Inventory	28,838
Prepaid Items	9,551
Property Taxes Receivable	3,548,730
Non-Depreciable Capital Assets	2,612,976
Depreciable Capital Assets, Net	33,990,568
<i>Total Assets</i>	45,336,089
Deferred Outflows of Resources	
Pension	1,133,278
Liabilities	
Accounts Payable	9,793
Accrued Wages and Benefits Payable	971,331
Intergovernmental Payable	364,085
Matured Severance Payable	177,836
Accrued Interest Payable	20,798
Vacation Benefits Payable	46,118
Retirement Incentive Payable	21,330
Long-Term Liabilities:	
Due Within One Year	689,822
Due In More Than One Year:	
Net Pension Liability (See Note 11)	16,253,416
Other Amounts Due in More Than One Year	12,874,019
<i>Total Liabilities</i>	31,428,548
Deferred Inflows of Resources	
Property Taxes	2,859,686
Pension	2,947,890
<i>Total Deferred Inflows of Resources</i>	5,807,576
Net Position (Deficit)	
Net Investment in Capital Assets	24,238,469
Restricted for:	
Debt Service	1,082,759
Capital Projects	305,759
Food Service	229,303
Classroom Facilities Maintenance	156,225
State Programs	38,154
Federal Programs	63,642
Other Purposes	30,071
Unrestricted	(16,911,139)
Total Net Position	\$9,233,243

See accompanying notes to the basic financial statements

Martins Ferry City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$7,135,750	\$1,258,143	\$530,600	(\$5,347,007)
Special	2,185,173	0	1,824,998	(360,175)
Vocational	291,915	0	80,358	(211,557)
Student Intervention Services	93,011	0	0	(93,011)
Support Services:				
Pupil	507,603	0	0	(507,603)
Instructional Staff	343,387	0	2,045	(341,342)
Board of Education	29,014	0	0	(29,014)
Administration	1,263,698	0	3,464	(1,260,234)
Fiscal	372,497	0	240,345	(132,152)
Operation and Maintenance of Plant	1,341,873	0	0	(1,341,873)
Pupil Transportation	687,545	0	0	(687,545)
Central	70,314	0	3,382	(66,932)
Operation of Non-Instructional Service	145,986	0	195,703	49,717
Food Service Operations	741,122	216,182	410,981	(113,959)
Extracurricular Activities	413,146	93,373	0	(319,773)
Interest and Fiscal Charges	1,110,062	0	0	(1,110,062)
<i>Total Governmental Activities</i>	<u>\$16,732,096</u>	<u>\$1,567,698</u>	<u>\$3,291,876</u>	<u>(11,872,522)</u>

General Revenues

Property Taxes Levied for General Purposes	2,334,520
Property Taxes Levied for Capital Outlay	99,777
Property Taxes Levied for Debt Service	589,084
Property Taxes Levied for Building Maintenance	42,726
Grants and Entitlements not Restricted to Specific Programs	9,338,338
Gifts and Donations	3,900
Investment Earnings	610
Miscellaneous	127,899
<i>Total General Revenues</i>	<u>12,536,854</u>
Change in Net Position	664,332
<i>Net Position Beginning of Year - Restated (Note 3)</i>	<u>8,568,911</u>
<i>Net Position End of Year</i>	<u><u>\$9,233,243</u></u>

See accompanying notes to the basic financial statements

Martins Ferry City School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Schoolwide Pool	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,065,740	\$0	\$985,688	\$738,817	\$4,790,245
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	11,000	0	0	0	11,000
Receivables:					
Property Taxes	2,696,368	0	685,399	166,963	3,548,730
Intergovernmental	157,440	0	0	186,741	344,181
Interfund	218,366	488,010	0	0	706,376
Prepaid Items	9,551	0	0	0	9,551
Materials and Supplies Inventory	16,837	0	0	12,001	28,838
<i>Total Assets</i>	<u>\$6,175,302</u>	<u>\$488,010</u>	<u>\$1,671,087</u>	<u>\$1,104,522</u>	<u>\$9,438,921</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$3,285	\$0	\$0	\$6,508	\$9,793
Accrued Wages and Benefits Payable	684,495	250,976	0	35,860	971,331
Interfund Payable	414,097	188,640	0	103,639	706,376
Intergovernmental Payable	305,426	48,394	0	10,265	364,085
Matured Severance Payable	177,836	0	0	0	177,836
Retirement Incentive Payable	21,330	0	0	0	21,330
<i>Total Liabilities</i>	<u>1,606,469</u>	<u>488,010</u>	<u>0</u>	<u>156,272</u>	<u>2,250,751</u>
Deferred Inflows of Resources					
Property Taxes	2,176,070	0	547,520	136,096	2,859,686
Unavailable Revenue	436,765	0	97,207	72,542	606,514
<i>Total Deferred Inflows of Resources</i>	<u>2,612,835</u>	<u>0</u>	<u>644,727</u>	<u>208,638</u>	<u>3,466,200</u>
Fund Balances (Deficit)					
Nonspendable:					
Inventories	16,837	0	0	12,001	28,838
Prepays	9,551	0	0	0	9,551
Restricted for:					
Debt Service	0	0	1,026,360	0	1,026,360
Capital Projects	0	0	0	289,287	289,287
Food Service Operations	0	0	0	217,302	217,302
Classroom Facilities Maintenance	0	0	0	150,734	150,734
Local Programs	0	0	0	19,071	19,071
State Programs	0	0	0	38,154	38,154
Federal Programs	0	0	0	13,063	13,063
Underground Storage Tank Premium	11,000	0	0	0	11,000
Assigned for:					
Future Appropriations	323,000	0	0	0	323,000
Unassigned	1,595,610	0	0	0	1,595,610
<i>Total Fund Balances</i>	<u>1,955,998</u>	<u>0</u>	<u>1,026,360</u>	<u>739,612</u>	<u>3,721,970</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$6,175,302</u>	<u>\$488,010</u>	<u>\$1,671,087</u>	<u>\$1,104,522</u>	<u>\$9,438,921</u>

See accompanying notes to the basic financial statements

Martins Ferry City School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2015*

Total Governmental Fund Balances \$3,721,970

*Amounts reported for governmental activities in the
Statement of Net Position are different because*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 36,603,544

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

Property Taxes	489,163	
Grants	50,579	
Tuition and Fees	66,772	
	66,772	
Total		606,514

In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas
in the governmental funds, an interest expenditure is reported when due. (20,798)

Long-term liabilities are not due and payable in the current period and
and therefore are not reported in the funds:

General Obligation Bonds - Serial	7,830,000	
General Obligation Bonds - Term	105,000	
Premium on Serial/Term Bonds	20,010	
General Obligation Bonds - Capital Appreciation Bonds	294,992	
Capital Appreciation Bond Interest Accretion	407,006	
Premium on Capital Appreciation Bonds	1,362,994	
Discount on Serial Bonds	(67,805)	
Capital Leases	2,839,894	
Compensated Absences	771,750	
Vacation Benefits Payable	46,118	
	46,118	
Total		(13,609,959)

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

Deferred Outflows - Pension	1,133,278	
Net Pension Liability	(16,253,416)	
Deferred Inflows - Pension	(2,947,890)	
	(2,947,890)	
Total		(18,068,028)

Net Position of Governmental Activities \$9,233,243

See accompanying notes to the basic financial statements

Martins Ferry City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Schoolwide Pool	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,348,205	\$0	\$592,028	\$143,323	\$3,083,556
Intergovernmental	10,730,660	581,936	120,657	1,146,382	12,579,635
Interest	434	0	126	50	610
Tuition and Fees	1,206,434	0	0	0	1,206,434
Extracurricular Activities	0	0	0	93,373	93,373
Contributions and Donations	0	0	0	3,900	3,900
Charges for Services	27,957	0	0	216,182	244,139
Miscellaneous	114,785	0	0	13,114	127,899
<i>Total Revenues</i>	<u>14,428,475</u>	<u>581,936</u>	<u>712,811</u>	<u>1,616,324</u>	<u>17,339,546</u>
Expenditures					
Current:					
Instruction:					
Regular	5,063,000	1,541,371	0	123,022	6,727,393
Special	1,091,940	682,137	0	318,605	2,092,682
Vocational	291,999	0	0	0	291,999
Student Intervention Services	95,587	0	0	0	95,587
Support Services:					
Pupil	507,332	0	0	0	507,332
Instructional Staff	310,565	0	0	1,948	312,513
Board of Education	32,225	0	0	0	32,225
Administration	1,191,450	0	0	923	1,192,373
Fiscal	340,852	0	17,722	3,759	362,333
Operation and Maintenance of Plant	1,176,772	0	0	176,420	1,353,192
Pupil Transportation	594,424	0	0	0	594,424
Central	68,264	0	0	3,170	71,434
Operation of Non-Instructional Services	0	0	0	145,986	145,986
Food Service Operations	0	0	0	622,677	622,677
Extracurricular Activities	233,391	0	0	95,097	328,488
Capital Outlay	0	0	0	96,736	96,736
Debt Service:					
Principal Retirement	226,624	0	380,000	0	606,624
Interest and Fiscal Charges	160,020	0	258,583	0	418,603
<i>Total Expenditures</i>	<u>11,384,445</u>	<u>2,223,508</u>	<u>656,305</u>	<u>1,588,343</u>	<u>15,852,601</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,044,030</u>	<u>(1,641,572)</u>	<u>56,506</u>	<u>27,981</u>	<u>1,486,945</u>
Other Financing Sources (Uses)					
Transfers In	0	1,641,572	0	0	1,641,572
Transfers Out	(1,641,572)	0	0	0	(1,641,572)
Total Other Financing Sources (Uses)	<u>(1,641,572)</u>	<u>1,641,572</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,402,458	0	56,506	27,981	1,486,945
<i>Fund Balances Beginning of Year</i>	<u>553,540</u>	<u>0</u>	<u>969,854</u>	<u>711,631</u>	<u>2,235,025</u>
<i>Fund Balances End of Year</i>	<u>\$1,955,998</u>	<u>\$0</u>	<u>\$1,026,360</u>	<u>\$739,612</u>	<u>\$3,721,970</u>

See accompanying notes to the basic financial statements

Martins Ferry City School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds \$1,486,945

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 exceeded capital asset additions in the current period.

Capital Assets Additions	253,720	
Depreciation Expense	(1,395,438)	
Total	(1,141,718)	(1,141,718)

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

Property Taxes	(17,449)	
Grants	50,579	
Tuition and Fees	23,752	
Total	56,882	56,882

The refunding difference is allocated as a reduction of expenses in the Statement of Activities over the life of the bonds (603,580)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt in the Statement of Activities, and the accretion of interest on capital appreciation bonds is reported in the Statement of Activities.

Accrued Interest	1,042	
Accretion on Capital Appreciation Bonds	(170,870)	
Total	(169,828)	(169,828)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds in the Statement of Activities. 85,716

Bond discounts are reported as other financing uses in the governmental funds, but are allocated as an expense over the life of the bonds in the Statement of Activities. (3,767)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

General Obligation Bonds - Serial	380,000	
Capital Leases	226,624	
Total	606,624	606,624

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.

Vacation Benefits Payable	201	
Compensated Absences	45,790	
Total	45,991	45,991

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 979,707

Except for amounts reported as deferred inflows/outflows, changes in net position liability are reported as pension expense in the Statement of Activities (678,640)

Change in Net Position of Governmental Activities \$664,332

See accompanying notes to the basic financial statements

Martins Ferry City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$2,543,000	\$2,333,401	\$2,333,401	\$0
Intergovernmental	7,102,600	10,745,807	10,745,807	0
Interest	1,300	434	434	0
Tuition and Fees	3,672,200	1,206,434	1,206,434	0
Charges for Services	85,100	27,957	27,957	0
Miscellaneous	94,133	114,300	114,785	485
<i>Total Revenues</i>	<u>13,498,333</u>	<u>14,428,333</u>	<u>14,428,818</u>	<u>485</u>
Expenditures				
Current:				
Instruction:				
Regular	5,359,450	5,128,110	5,156,709	(28,599)
Special	1,102,600	1,055,220	1,061,100	(5,880)
Vocational	289,020	296,358	297,898	(1,540)
Student Intervention Services	80,340	76,837	77,267	(430)
Support Services:				
Pupil	538,790	515,328	518,198	(2,870)
Instructional Staff	333,120	318,608	320,388	(1,780)
Board of Education	38,130	36,475	36,675	(200)
Administration	1,277,980	1,227,943	1,234,762	(6,819)
Fiscal	364,920	349,751	351,701	(1,950)
Operation and Maintenance of Plant	1,259,380	1,241,747	1,248,466	(6,719)
Pupil Transportation	676,920	649,211	652,821	(3,610)
Central	75,610	72,319	72,719	(400)
Extracurricular Activities	247,830	237,034	238,354	(1,320)
Capital Outlay	62,380	59,670	60,000	(330)
Debt Service:				
Principal Retirement	141,920	127,240	128,000	(760)
Interest and Fiscal Charges	118,430	121,768	122,398	(630)
<i>Total Expenditures</i>	<u>11,966,820</u>	<u>11,513,619</u>	<u>11,577,456</u>	<u>(63,837)</u>
Excess of Revenues Over Expenditures	1,531,513	2,914,714	2,851,362	(63,352)
Other Financing Uses				
Transfers Out	(1,533,180)	(1,466,381)	(1,474,575)	(8,194)
<i>Net Change in Fund Balance</i>	(1,667)	1,448,333	1,376,787	(71,546)
<i>Fund Balance Beginning of Year</i>	1,842,913	1,842,913	1,842,913	0
Prior Year Encumbrances Appropriated	9,407	9,407	9,407	0
<i>Fund Balance End of Year</i>	<u>\$1,850,653</u>	<u>\$3,300,653</u>	<u>\$3,229,107</u>	<u>(\$71,546)</u>

See accompanying notes to the basic financial statements

Martins Ferry City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Schoolwide Pool Fund
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Instruction:				
Regular	1,641,002	1,446,307	1,508,192	(61,885)
Special	718,998	633,693	660,808	(27,115)
<i>Total Expenditures</i>	<u>2,360,000</u>	<u>2,080,000</u>	<u>2,169,000</u>	<u>(89,000)</u>
Excess of Revenues Under Expenditures	(2,360,000)	(2,080,000)	(2,169,000)	(89,000)
Other Financing Sources				
Transfers In	<u>0</u>	<u>2,022,385</u>	<u>2,017,745</u>	<u>(4,640)</u>
<i>Net Change in Fund Balance</i>	(2,360,000)	(57,615)	(151,255)	(93,640)
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>(37,385)</u>	<u>(37,385)</u>	<u>(37,385)</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$2,397,385)</u></u>	<u><u>(\$95,000)</u></u>	<u><u>(\$188,640)</u></u>	<u><u>(\$93,640)</u></u>

See accompanying notes to the basic financial statements

Martins Ferry City School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$24,256</u>
<i>Total Assets</i>	<u><u>\$24,256</u></u>
Liabilities	
Due to Students	<u>\$24,256</u>
<i>Total Liabilities</i>	<u><u>\$24,256</u></u>

See accompanying notes to the basic financial statements

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1853 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 12 square miles. It is located in Belmont County and includes all the city of Martins Ferry and portions of Pease and Colerain Townships. It is staffed by 55 non-certified employees, 100 certified full-time teaching personnel and 9 administrative employees, who provide services to 1,442 students and other community members. The School District currently operates 2 instructional/support buildings, 1 administrative building, and 1 bus garage facility.

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

Parochial Schools – Within the School District boundaries, St. Mary's Central Elementary School is operated through the Steubenville Catholic Diocese; Martins Ferry Christian School is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and distributed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School Districts is reflected in a special revenue fund for financial reporting purposes.

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

The School District participates in the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Metropolitan Educational Council (MEC), the Coalition of Rural and Appalachian Schools (CORAS) which are jointly governed organizations, the Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Retrospective Rating Program (GRRP) and the Ohio School Plan (OSP), which are defined as an insurance purchasing pool. These organizations are presented in Notes 17 and 18.

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District however has no business type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Schoolwide Pool Fund – The Schoolwide Pool Fund is used to account for all financial resources required to operate the elementary school. The No Child Left Behind Act of 2001 provided the authority to pool all federal state and local funds necessary to upgrade the instructional program of school buildings where forty percent or greater of the student are from low-income families. The fund is utilized to pay all costs associated with operating the elementary school.

Debt Service Fund The Debt Service Fund accounts for and reports property tax revenues restricted for the payment of, general long-term debt principal and interest.

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

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities and assets held by the School District as an agent for outside activities.

C. Measurement Focus

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

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

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

Martins Ferry City School District
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accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to the pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and 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 School District unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental grants. 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. See Note 11 for more information.

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

E. 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.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Following Ohio Statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$434, which includes \$27 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents. During fiscal year 2015, the School District had no investments.

G. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash restricted for insurance premiums related to the underground storage tank.

H. Prepaid Items

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

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food/commodities held for resale.

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

J. Capital Assets

The only capital assets of the School District are general capital assets. These assets result from expenditures in the governmental funds and are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Construction in Progress	N/A
Land Improvements	5 - 50 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5-20 Years
Vehicles	5 - 20 Years

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 on the Statement of Net Position.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

M. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences that are 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 year. Bonds are recognized as a liability on the governmental fund financial statements when due.

N. Bond Discounts, Bond Premiums, and Bond Issuance Costs

On the government wide financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued. Bond issuance costs are expensed in in the funds in the period the bonds are issued.

O. Deferred Charge on Refunding

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

P. Interfund Activity

Transfers within government activities on the government-wide financial statements are reported in the same manner as general revenue.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

Martins Ferry City School District
Notes to the Basic Financial Statements
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Q. Fund Balance

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

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

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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.

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

R. Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources from local sources restricted to expenditures for student programs and underground storage tank deductibles.

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred in fiscal year 2015.

T. Estimates

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

U. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

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

Net Position June 30, 2014	\$26,938,006
Adjustments:	
Net Pension Liability	(19,318,874)
Deferred Outflow - Payments Subsequent to Measurement Date	949,779
Restated Net Position June 30, 2014	\$8,568,911

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis), rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Transfers in and transfers out that are balance sheet transactions (GAAP) as opposed to operating transfers (Budget), as well as the reclassification of revenue that is required to be transferred on a cash (budget basis), but is reported as revenue on the operating statement (GAAP basis).

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Net Change in Fund Balance		
	General	Schoolwide Pool
GAAP Basis	\$1,402,458	\$0
Revenue Accruals	343	(581,936)
Transfer In	0	376,173
Expenditure Accruals	(127,012)	54,508
Transfers Out	166,997	0
Encumbrances	(65,999)	0
Budget Basis	\$1,376,787	(\$151,255)

NOTE 5 - CASH AND CASH EQUIVALENTS

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the School District's bank balance was \$5,250,123. Of the bank balance, \$2,300,660 was covered by Federal Depository Insurance and the remaining balance of \$2,949,463 was covered by pooled collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a

Martins Ferry City School District
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For the Fiscal Year Ended June 30, 2015

lien December 31, 2013, were levied after April 1, 2014 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2015, was \$150,305 in the General Fund, \$40,672 in the Debt Service Fund, \$2,226 in the Classroom Maintenance Special Revenue Fund, and \$6,678 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2014, was \$135,501 in the General Fund, \$35,872 in the Debt Service Fund, \$2,010 in the Classroom Maintenance Special Revenue Fund, and \$6,029 in the Permanent Improvement Capital Projects Fund.

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

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

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$113,062,700	94.1%	\$113,572,200	94.0%
Public Utility Personal	7,107,540	5.9%	7,236,700	6.0%
	\$120,170,240	100.0%	\$120,808,900	100.0%
Tax Rate per \$1,000 of assessed valuation		\$41.64		\$41.64

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015, consisted of property taxes, interfund, intergovernmental grants, and tuition and fees. 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$489,163 may not be collected within one year. All other receivables are expected to be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Martins Ferry City School District
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For the Fiscal Year Ended June 30, 2015

<u>Governmental Activities:</u>	<u>Amounts</u>
Medicaid Reimbursement	\$2,668
Title I Grant	123,453
Title II-A Grant	22,709
State Preschool Grants	6,000
IDEA B Grant	24,853
SERS Adjustment	97,726
Excess Costs from Other School Districts	66,772
Total Intergovernmental Receivables	<u><u>\$344,181</u></u>

NOTE 8 - INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

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

<u>Interfund Payable</u>	<u>Interfund Receivable</u>		<u>Total</u>
	<u>General Fund</u>	<u>Schoolwide Pool Fund</u>	
General Fund	\$0	\$414,097	\$414,097
Schoolwide Pool Fund	188,640	0	188,640
Other Nonmajor Governmental Funds	29,726	73,913	103,639
Total	<u><u>\$218,366</u></u>	<u><u>\$488,010</u></u>	<u><u>\$706,376</u></u>

The balance due to the Schoolwide Pool Special Revenue Fund from the General and Other Governmental Funds are for costs associated with the operation of the elementary school in accordance with the schoolwide program that will be transferred as cash is needed to fund the program. The loans made to the Schoolwide Pool Special Revenue Fund and Other Nonmajor Governmental Funds were used to cover actual cash deficits in the Schoolwide Pool, the Miscellaneous Federal and the Title I Special Revenue Funds.

B. Transfers

<u>Transfer to</u>	<u>Transfer from</u>
Schoolwide Pool Special Revenue Fund	<u>General Fund</u>
	<u><u>\$1,641,572</u></u>

Transfers were used to move receipts from the General Fund to the Schoolwide Pool Special Revenue Fund in accordance with the schoolwide program.

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NOTE 9 - CAPITAL ASSETS

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

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
Nondepreciable Capital Assets:				
Land	\$2,436,556	\$0	\$0	\$2,436,556
Construction in Progress	0	176,420	0	176,420
Total Nondepreciable Capital Assets	2,436,556	176,420	0	2,612,976
Depreciable Capital Assets:				
Land Improvements	4,025,450	64,800	0	4,090,250
Buildings and Improvements	38,688,340	0	0	38,688,340
Furniture and Equipment	2,082,918	12,500	0	2,095,418
Vehicles	1,032,850	0	0	1,032,850
Total Depreciable Capital Assets	45,829,558	77,300	0	45,906,858
Accumulated Depreciation:				
Land Improvements	(1,322,106)	(206,748)	0	(1,528,854)
Buildings and Improvements	(6,729,661)	(1,016,959)	0	(7,746,620)
Furniture and Equipment	(1,638,042)	(126,236)	0	(1,764,278)
Vehicles	(831,043)	(45,495)	0	(876,538)
Total Accumulated Depreciation	(10,520,852)	(1,395,438)	0	(11,916,290)
Total Depreciable Capital Assets, Net	35,308,706	(1,318,138)	0	33,990,568
Governmental Capital Assets, Net	\$37,745,262	(\$1,141,718)	\$0	\$36,603,544

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$589,194
Special	131,221
Vocational	7,392
Support Services:	
Pupil	19,683
Instructional Staff	65,610
Administration	103,583
Fiscal	13,122
Operation and Maintenance of Plant	159,047
Pupil Transportation	95,831
Food Service Operations	121,503
Extracurricular Activities	89,252
Total Depreciation Expense	\$1,395,438

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NOTE 10 - RISK MANAGEMENT

A. Property, Fleet and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 18). The School District contracted with the Ohio School Plan for liability, property, and fleet insurance. Coverage provided follows:

Property:

Building and Contents - replacement cost (\$1,000 Deductible)	\$48,580,268
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Commercial Auto Coverage:

Auto Liability-Combined Single Limit	3,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
Comprehensive	1,000 deductible
Collision	1,000 deductible

Commercial Crime:

Employee Theft - Per Employee (\$1,000 Deductible)	25,000
Forgery or Alteration - Per Occurance (\$1,000 Deductible)	25,000
Inside / Outside the Premises - Theft (\$1,000 Deductible)	10,000

Educational General Liability:

Bodily Injury and Property Damage - Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense	\$3,000,000
Personal and Advertising Injury - Each Offense Limit	3,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products-Completed Operations Aggregate Limit	3,000,000

Employers Liability - Stop Gap - Occurrence:

Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000

Employee Benefits Liability - Claims Made:

Each Offense Limit	3,000,000
Aggregate Limit	5,000,000

Educational Legal Liability - Claims Made:

Errors and Omissions Injury Limit (\$2,500 Deductible)	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000

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B. Flood Insurance

The School District contracted with Selective Insurance Company of America for flood coverage. The School District's flood insurance includes \$238,900 on buildings and \$16,300 on contents at the football facility.

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

C. Worker's Compensation

The School District participates in the Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance purchasing pool (Note 18). The intent of the GRRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Participation in the GRRP is limited to members that can meet the GRRP's selection criteria. The firm of Sheakley provides administrative, cost control, and actuarial services to the GRRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of employer school district, 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

Martins Ferry City School District
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could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District’s contractually required contribution to SERS was \$195,956 for fiscal year 2015. The full amount has been contributed for fiscal year 2015.

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Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

The School District’s contractually required contribution to STRS was \$783,751 for fiscal year 2015. Of this amount \$81,938 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$2,601,375	\$13,652,041	\$16,253,416
Proportion of the Net Pension Liability	0.05140100%	0.05612705%	
Pension Expense	\$151,354	\$527,286	\$678,640

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$22,140	\$131,431	\$153,571
School District contributions subsequent to measurement date	195,956	783,751	979,707
Total Deferred Outflows of Resources	\$218,096	\$915,182	\$1,133,278
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$422,211	\$2,525,679	\$2,947,890

\$979,707 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$99,962)	(\$598,562)	(\$698,524)
2017	(99,962)	(598,562)	(698,524)
2018	(99,962)	(598,562)	(698,524)
2019	(100,185)	(598,562)	(698,747)
Total	<u>(\$400,071)</u>	<u>(\$2,394,248)</u>	<u>(\$2,794,319)</u>

Actuarial Assumption - SERS

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums

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over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,711,390	\$2,601,375	\$1,667,757

Actuarial Assumptions - STRS

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<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, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all period of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$19,544,385	\$13,652,041	\$8,669,101

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2015, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

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

Funding Policy - State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$24,309.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$12,191, \$2,108, and \$2,274, respectively; 100 percent has been contributed for fiscal years 2015, 2014, and 2013.

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State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$58,563, and \$55,139 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave up to maximum of 55 days for all employees.

B. Health/Life Insurance

The School District provides medical, health, and prescription drug coverage for all eligible employees through Anthem Blue Cross Blue Shield. The Health Plan is at a premium rate of \$1,549.29 for a family plan and \$619.59 for a single plan. The Board pays 92.5 percent of the premiums for all employees who work a 35 to 40 hours per week. Employees who work less than a 35 hour work week, receive a benefit where, the Board's share of the premium is calculated on a declining scale. The School District also provides dental insurance to all employees through Coresource Inc., which is 100 percent Board paid for the certified employees and on a declining scale paid by the Board for the non-certificated employees at a premium of \$66.01. Life insurance is provided in the amount of \$50,000 for superintendent, \$50,000 for the treasurer, \$25,000 for certified and administrative employees and \$20,000 for the classified employees. The Board pays 100 percent of the monthly premium of \$2.50 for certified and administrative employees and 100 percent of the monthly premium of \$2.00 for non-certified employees. Vision insurance is provided through Vision Benefits of America which is 100 percent Board paid for the certified employees and on a declining scale paid by the Board for the non-certificated employees at a premium of \$9.79.

C. Retirement Incentive

Per the provision in the agreement between the Martins Ferry City School District Board of Education and the Martins Ferry Education Association, the Martins Ferry City School District Board of Education will provide a retirement incentive of \$1,000 times each year of Martins Ferry City School service (not to

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

exceed \$13,000) to any teaching employee who is eligible for full retirement under any of Ohio's public employee retirement systems, provided the conditions stated in the agreement on file with the School District are met. The District had \$21,330 outstanding in retirement incentives payable that are scheduled to be repaid through 2018.

NOTE 14 – COMMITMENTS

A. Construction Commitments

During fiscal year 2015, the School District entered into an agreement with Energy Optimizers, USA LLC to install four 70 foot galvanized steel lighting poles and high intensity discharge lighting system at the football stadium. As of June 30, 2015 the School District had the following contractual commitment:

Contractor	Purchase Commitment	Amount Paid as of 6/30/15	Amount Remaining on Contract
Energy Optimizers, USA LLC	\$258,400	\$176,420	\$81,980

B. Encumbrances

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

General	\$65,999
Other Non-Major Governmental Funds	118,856
Total	\$184,855

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2005, the School District entered into a capital lease to finance the construction of a new grandstand facility at the stadium. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lesser. During fiscal year 2008, the School District entered into two additional capital leases through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority to finance additional project costs associated with the classroom facilities project. Prior to fiscal year 2015, the School District also entered into capital leases for copiers, and a school bus.

The assets acquired by the leases have been capitalized in government wide statements governmental activities as land, buildings and improvements, and furniture, fixtures and equipment in the amount of \$4,599,093, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities for the total value of the lease. Governmental activities assets are reflected net of accumulated depreciation, in the amount of \$3,267,296. Principal payments in fiscal year 2015 totaled \$226,624 in the governmental funds.

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Future minimum lease payments through 2032 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total</u>
2016	\$232,337	\$144,888	\$377,225
2017	176,871	135,260	312,131
2018	177,785	127,688	305,473
2019	195,836	119,667	315,503
2020	198,929	110,748	309,677
2021-2025	761,671	439,068	1,200,739
2026-2030	832,465	226,849	1,059,314
2031-2032	264,000	20,289	284,289
Total	<u>\$2,839,894</u>	<u>\$1,324,457</u>	<u>\$4,164,351</u>

NOTE 16 - LONG - TERM OBLIGATIONS

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

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Amounts Due In One Year
<i>2005 School Construction and Improvement General Obligation Bonds</i>					
Serial Bonds, \$4,940,000 @ 3.0%-4.55%	\$435,000	\$0	\$215,000	\$220,000	\$220,000
Term Bonds, \$5,580,000 @ 5.0%	105,000	0	0	105,000	0
Premium, \$355,273	30,015	0	10,005	20,010	0
Total 2005 Bonds	<u>570,015</u>	<u>0</u>	<u>225,005</u>	<u>345,010</u>	<u>220,000</u>
<i>2012 Refunding Bonds</i>					
Serial Bonds, \$8,190,000 @ 1.0%-4.0%	7,775,000	0	165,000	7,610,000	165,000
Capital Appreciation Bond, \$294,992 @ 6.828%-20.854%	294,992	0	0	294,992	0
CAB Accretion, \$2,020,008	236,136	170,870	0	407,006	0
Premium, \$1,589,927	1,438,705	0	75,711	1,362,994	0
Discount, \$79,106	(71,572)	0	(3,767)	(67,805)	0
Total 2012 Bonds	<u>9,673,261</u>	<u>170,870</u>	<u>236,944</u>	<u>9,607,187</u>	<u>165,000</u>
Total Bonds	<u>10,243,276</u>	<u>170,870</u>	<u>461,949</u>	<u>9,952,197</u>	<u>385,000</u>
Net Pension Liability	19,318,874	0	3,065,458	16,253,416	0
Capital Leases	3,066,518	0	226,624	2,839,894	232,337
Compensated Absences	817,540	463,050	508,840	771,750	72,485
Total General Long-Term Obligations	<u>\$33,446,208</u>	<u>\$633,920</u>	<u>\$4,262,871</u>	<u>\$29,817,257</u>	<u>\$689,822</u>

*For additional information related to net pension liability, see Note 11.

2005 School Construction and Improvement General Obligation Bonds - On March 31, 2005, the School District issued \$10,520,000 in voted general obligation bonds which included serial and term bonds to

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program (approximately 86% of the total of the bonds), as well as a portion of the project that will not be covered under the Classroom Facilities Assistance Program that is the Local Fund Initiative (approximately 14% of the total of the bonds). The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2032. During fiscal year 2012, the School District refunded \$8,485,000 of the serial and term bonds. The refunding resulted in an in-substance defeasance, and the refunded portion of the bonds were removed from the financial statements of the School District. The remaining outstanding serial and term bonds are being retired from the debt service fund. The premium that remained following the refunding amounted to \$50,025. This amount is being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

In connection with the passage of the bond issue, the School District earmarked a half-mill of the existing permanent improvement levy for the maintenance of the new building.

The term bonds that mature December 1, 2016 are subject to mandatory sinking fund redemption at a price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2016.

Principal and interest requirements to retire the remaining general obligation bonds for the 2005 School Construction and Improvement bonds outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$220,000	\$14,050	\$234,050
2017	105,000	2,665	107,665
Total	<u>\$325,000</u>	<u>\$16,715</u>	<u>\$341,715</u>

2012 General Obligation Refunding Bonds – On April 19, 2012, Martins Ferry City School District issued \$8,484,992 of general obligation bonds. The bonds were issued to refund \$8,485,000 of outstanding 2005 School Construction and Improvement General Obligation Serial and Term Bonds. The bonds were issued for a 21 year period with final maturity at December 1, 2032. At the date of refunding, \$9,829,973 (including premium and after underwriting fees, and other issuance costs) paid from the debt service fund, was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2005 School Construction and Improvement General Obligation Serial and Term Bonds. The refunded bonds were fully called and repaid on June 1, 2015, through the escrow account. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$1,131,713. This difference, previously reported in the accompanying financial statements as a deferred outflow of resources – deferred charge on refunding, and amortized over the life of the refunded bonds using the straight-line method was fully amortized on June 1, 2015. The amortization of this difference for fiscal year 2015 was the remaining balance of \$603,580.

These refunding bonds were issued with a premium of \$1,589,927, and a discount of \$79,106. These amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

The 2012 bond issue consists of serial and capital appreciation bonds, \$8,190,000 and \$294,992, respectively.

The capital appreciation bonds for this issue mature December 1, 2017 through December 1, 2021. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$2,315,000. The accretion recorded for fiscal year 2015 is \$170,870 for a total bond liability of \$701,998. The accretion will continue to be recorded over the life of the bonds.

As part of the refunding bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of Aa2 from Moody's Investors Service for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and interest requirements to retire general obligation bonds for the 2012 Refunding Bonds outstanding at June 30, 2015 are as follows:

Fiscal Year	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2016	\$165,000	\$238,995	\$0	\$0	\$165,000	\$238,995
2017	330,000	236,520	0	0	330,000	236,520
2018	0	231,570	92,800	352,200	92,800	583,770
2019	0	231,570	70,199	374,801	70,199	606,371
2020	0	231,570	56,682	418,318	56,682	649,888
2021-2025	1,570,000	1,116,375	75,311	874,689	1,645,311	1,991,064
2026-2030	3,205,000	750,768	0	0	3,205,000	750,768
2031-2033	2,340,000	178,338	0	0	2,340,000	178,338
Totals	<u>\$7,610,000</u>	<u>\$3,215,706</u>	<u>\$294,992</u>	<u>\$2,020,008</u>	<u>\$7,904,992</u>	<u>\$5,235,714</u>

The School District's overall legal debt margin was \$3,669,169, with an unvoted debt margin of \$120,809, at June 30, 2015. Although the School District's overall legal debt margin was \$3,669,169 at June 30, 2015 it was higher at the point of debt issuance due to the revision of the calculation per House Bill 530, which became effective March 30, 2006. The legislation provided for the exclusion of valuations of tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations in the legal debt margin calculation. The School District issued the general obligation bonds prior to the revised legislation.

Capital leases will be repaid from the General Fund.

The School District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated absences will be paid from the General Fund.

Defeased Debt – As of June 30, 2015, the refunded bonds were fully repaid.

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Belmont-Harrison Vocational School District – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2015, the School District made no contributions to the Belmont-Harrison Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council) – The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant’s control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2015, the total amount paid to OME-RESA from the School District was \$918 for cooperative gas purchasing service administrative fees, \$17,449 for technology services and \$30,049 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Metropolitan Educational Council (MEC) - The Metropolitan Educational Council is a consortium of school districts and related agencies in Ohio. The organization is composed of over 187 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District’s membership payment to MEC for fiscal year 2105 was \$286.60. Financial information may be obtained from the Metropolitan Educational Council, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio 43232.

Coalition of Rural and Appalachian Schools (CORAS) – The Coalition of Rural and Appalachian Schools is a jointly governed organization including 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant’s control is limited to its representation on the Board. The School District’s membership fee was \$325 for fiscal year 2015.

NOTE 18 - INSURANCE PURCHASING POOL

Better Business Bureau of Central Ohio Incorporated Workers’ Compensation Group Retrospective Rating Program (GRRP) – The School District participates in the Better Business Bureau of Central Ohio Incorporated Workers’ Compensation Group Rating Program, a group rating plan for workers’ compensation as established under Rule Section 4123-17-73 of the Ohio Administrative Code. The GRRP is an insurance purchasing pool established through the Better Business Bureau of Ohio,

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Incorporated. The Program's business and affairs are conducted by the President and CEO of the Better Business Bureau. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the program. The School District's enrollment fee of \$1,360 for policy year 2015 was paid to Sheakley UniService, Inc.

Ohio School Plan (OSP) – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Hylant Administrative Services and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State Statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of 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.

Pursuant to State Statute, the Board of Education expended all of the amounts previously set-aside for the budget reserve.

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	247,009
Current Year Qualifying Expenditures	(109,153)
Current Year "Offsets"	(262,146)
Totals	(\$124,290)
Balance Carried Forward to Fiscal Year 2016	\$0
Set-aside Restricted Balance as of June 30, 2015	\$0

The School District had offsets and qualifying expenditures during the current fiscal year that reduced the set-aside amount for capital improvements to below zero. This excess may not be carried forward to offset future year set-aside requirements. The School District also has prior year capital expenditures paid from debt proceeds in connection with a school facilities project and an energy conservation project that may be carried forward to offset future set-aside requirements.

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 20 - CONTINGENCIES

A. Grants

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

B. State Foundation Funding

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

C. Litigation

The School District is not currently party to pending litigation.

D. Oil/Gas Leases

XTO Energy, Inc. – The Board of Education has entered into two “Paid-Up” Oil and Gas Leases with XTO Energy, Inc. The first lease is for 58.526 acres of property owned by the Martins Ferry Board of Education, and is effective December 23, 2011, for a five year period. In consideration of the execution of the first lease, the School District received a signing bonus in the amount of \$289,704 during fiscal year 2013. The second lease is for 59.208 acres of property which is subject to a land lease agreement between the Board of Education and Ayers Limestone Quarry, Inc., and is effective March 26, 2012, for a period of five years. In consideration of the execution of the second lease, the School District received a signing bonus in the amount of \$293,080 during fiscal year 2012. The leases call for payments to the School District, in addition to the bonus, royalties in the amount of 19 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

Hess Ohio Development LLC – The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with Hess Ohio Development LLC. The lease is for 0.4 acres of property owned by the Martins Ferry Board of Education, and is effective February 12, 2013, for a five year period. In consideration of the execution of the third lease, the School District received a signing bonus in the amount of \$2,080 during fiscal year 2014. The third lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 18.75 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

Gulfport Energy Corp – The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with Gulfport Energy Corp. The lease is for 3.507 acres of property owned by the Martins Ferry Board of

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Education, and is effective July 10, 2014, for a five year period. In consideration of the execution of the fourth lease, the School District received a signing bonus in the amount of \$23,672.25 during fiscal year 2015. The fourth lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

American Energy-Utica LLC – The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with American Energy-Utica LLC. The lease is for 0.5 acres of property owned by the Martins Ferry Board of Education, and is effective August 20, 2014, for a five year period. In consideration of the execution of the fifth lease, the School District received a signing bonus in the amount of \$3,000 during fiscal year 2015. The fifth lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

American Energy-Utica LLC – The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with American Energy-Utica LLC. The lease is for 0.69 acres of property owned by the Martins Ferry Board of Education, and is effective March 11, 2015, for a five year period. As of the date of the financial statements, no bonus money has been received by the School District. The sixth lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

The total carrying value of the land leased is \$2,378,844.

NOTE 21 - LEGAL COMPLIANCE

Expenditures exceeded appropriations contrary to Ohio Revised Code Section 5705.41 (B), in the General Fund in the amount of \$72,031 and in the Schoolwide Pool Fund in the amount of \$89,000. In addition, appropriations exceeded estimated resources contrary to Ohio Revised Code Section 5705.39, in the Title I Fund in the amount of \$4,084 and in the Schoolwide Pool Fund in the amount of \$95,000.

The School District will monitor actual expenses, estimated resources and appropriations on a more regular basis to help ensure there are no budgetary noncompliance issues in the future.

NOTE 22 - SUBSEQUENT EVENTS

A. 2016 Qualified Zone Academy Bonds

2016 Qualified Zone Academy Bonds – On October 1, 2015, the School District issued \$1,500,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), to be used to fund energy saving projects throughout the School District and the to create a STEM Academy. The QZAB matures in 2035, with the entire principal balance coming due at maturity. The QZAB does not bear interest. As part of the issuance, the School District is required to place \$75,000 of base lease payments, annually, beginning on June 1, 2016, into a debt service sinking escrow account held by a fiscal agent. The base lease payments will be invested, and the balance in the account will be used for the final bond repayment in 2035. The value of the fiscal agent account will be recorded as restricted investments with fiscal agents in the debt service fund. As of the date of the financial statements, the escrow account has not been established.

Martins Ferry City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Contributions – As part of the QZAB Issuance, the District has been awarded the 10 percent match from the National Education Foundation (NEF), in the amount of in-kind contributions of \$150,500 of course package ID's. In addition, the NEF has awarded the School District this amount for a total of five years, totaling in-kind contributions at \$752,500.

B. Oil/Gas Agreement

American Energy-Utica LLC - In consideration of the execution of the sixth lease, the School District received a signing bonus in the amount of \$4,140 on September 16, 2015.

Oil/ Gas Agreement – On October 13, 2015, the School District entered into its seventh “Paid-Up” Oil and Gas Lease. The lease is for 0.79375 acres of property owned by the Martins Ferry Board of Education, and is effective for a five year period, from the date of the agreement, with Ascent Resources - Utica LLC. In consideration of the execution of the seventh lease, the School District is to receive a signing bonus of \$6,000 per net leasehold acre. As of the date of the financial statements, no bonus money has been received by the School District. The seventh lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and byproducts produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

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**Required
Supplementary
Information**

Martins Ferry City 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 Two Fiscal Years (1)(2)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.051401%	0.051401%
School District's Proportionate Share of the Net Pension Liability	\$2,601,375	\$3,056,653
School District's Covered-Employee Payroll	\$1,490,339	\$1,414,246
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.55%	216.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

Martins Ferry City 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 Two Fiscal Years (1)(2)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.05612705%	0.05612705%
School District's Proportionate Share of the Net Pension Liability	\$13,652,041	\$16,262,221
School District's Covered-Employee Payroll	\$5,717,062	\$5,659,300
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.79%	287.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

Martins Ferry City School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$195,956	\$206,561	\$195,732	\$181,040
Contributions in Relation to the Contractually Required Contribution	<u>(195,956)</u>	<u>(206,561)</u>	<u>(195,732)</u>	<u>(181,040)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,486,768	\$1,490,339	\$1,414,246	\$1,346,022
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$190,242	\$229,624	\$170,258	\$174,681	\$169,803	\$157,132
<u>(190,242)</u>	<u>(229,624)</u>	<u>(170,258)</u>	<u>(174,681)</u>	<u>(169,803)</u>	<u>(157,132)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,513,459	\$1,695,891	\$1,730,265	\$1,778,833	\$1,589,917	\$1,485,180
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Martins Ferry City School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$783,751	\$743,218	\$735,709	\$670,472
Contributions in Relation to the Contractually Required Contribution	<u>(783,751)</u>	<u>(743,218)</u>	<u>(735,709)</u>	<u>(670,472)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$5,598,221	\$5,717,062	\$5,659,300	\$5,157,479
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$686,155	\$794,528	\$792,717	\$801,203	\$767,791	\$723,699
<u>(686,155)</u>	<u>(794,528)</u>	<u>(792,717)</u>	<u>(801,203)</u>	<u>(767,791)</u>	<u>(723,699)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,278,114	\$6,111,750	\$6,097,821	\$6,163,100	\$5,906,086	\$5,566,914
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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March 14, 2016

To the Board of Education
Martins Ferry City School District
Belmont County, Ohio
5001 Ayers Limestone Road
Martins Ferry, OH 43935

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Martins Ferry City School District, Belmont County, Ohio (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 14, 2016, in which we noted the School District restated the net position balance to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003.

The School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rea & Associates, Inc.

New Philadelphia, Ohio

March 14, 2016

To the Board of Education
Martins Ferry City School District
Belmont County, Ohio
5001 Ayers Limestone Road
Martins Ferry, OH 43935

**Independent Auditor's Report on Compliance for Each Major Federal Program; and
Report on Internal Control over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited the Martins Ferry City School District's, Belmont County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

New Philadelphia, Ohio

Martins Ferry City School District
Belmont County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor Program Title	Grant Year/ Direct Award No.	CFDA Number	Federal Receipts	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014	84.010	\$ 8,089	\$ 54,005
Title I Grants to Local Educational Agencies	2015	84.010	441,786	446,770
Total Title I			449,875	500,775
Special Education - Grants to States	2014	84.027	0	26,838
Special Education - Grants to States	2015	84.027	296,592	321,445
Total Special Education - Grants to States			296,592	348,283
Title II-A - Improving Teacher Quality	2014	84.367	(410)	8,291
Title II-A - Improving Teacher Quality	2015	84.367	71,734	75,587
Total Title II-A - Improving Teacher Quality			71,324	83,878
Total U.S. Department of Education			817,791	932,936
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program (C)	2015	10.555	30,205	30,205
<i>Cash Assistance:</i>				
School Breakfast Program (B)	2015	10.553	131,037	131,037
National School Lunch Program (B)	2015	10.555	252,541	252,541
<i>Cash Assistance Subtotal</i>			383,578	383,578
<i>Total Child Nutrition Cluster</i>			413,783	413,783
Total U.S. Department of Agriculture			413,783	413,783
TOTAL FEDERAL ASSISTANCE			\$ 1,231,574	\$ 1,346,719

See accompanying notes to this schedule

Martins Ferry City School District
Belmont County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) reports the federal award programs’ receipts and disbursements. The Schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

Note B – Commingled Funds

Federal money is commingled with state subsidy reimbursements for the Child Nutrition Cluster. It is assumed federal moneys are expended first.

Note C – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in the Schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note D – Ohio Bureau of Workers’ Compensation Rebate

Ohio’s workers’ compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers’ Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In September 2014, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio’s workers’ compensation system. Each employer’s rebate reflected 60% of what they were billed during the last policy period (2012 calendar year for public-taxing districts). Using policy year 2012 as the base year for calculation, the School District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to the BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the School District’s Schedule as a negative expenditure.

Martins Ferry City School District
Belmont County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Grants Special Education Grants	CFDA # 84.010 84.027
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

Martins Ferry City School District
Belmont County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2015
(Continued)

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

Finding Number: 2015-001

Material Weakness/Noncompliance

Criteria: Ohio Revised Code Section 3317.022 states that the Ohio Department of Education shall compute and distribute state core foundation funding to each eligible school district for the fiscal year. An integral part of the calculation of foundation funding is average daily membership which is based upon annualized attendance and enrollment information. Each school district is responsible for accurately reporting enrollment statistics to the Ohio Department of Education’s Educational Management Information System (EMIS). The School District is also responsible for identifying variances in EMIS reporting and taking necessary steps to resolve variances. Among the enrollment statistics that factor into funding are: enrollment dates, withdrawal dates, excused absences and unexcused absences. In addition, Ohio Revised Code Section 3317.031 requires School Districts maintain an accurate membership record to support student enrollment data reported.

Condition: During audit procedures, it was noted that the School District was not retaining all supporting documentation for excused absences as required by ORC 3317.031. In addition, the School District does not currently have procedures in place to ensure all student absences are accurately reported to the Ohio Department of Education.

Cause: Current changes in the EMIS system and reporting requirements caused confusion in how information is to be reported to the Ohio Department of Education. There was also confusion regarding how absences within the EMIS system should be coded for proper reporting. The School District’s current record retention procedures did not include retaining documentation to support excused absences.

Effect: Without proper internal controls over reporting enrollment statistics in EMIS, there is an opportunity that the School District’s funding could be calculated based on inaccurate information. Without proper supporting documentation it could be difficult for the School District to support enrollment information reported through EMIS.

Recommendation: We recommend the School District implement procedures to verify information reported in EMIS is accurate. We also recommend all supporting documentation required by ORC 3317.031 be retained for a minimum of five years. The Board should also revise record retention policies in accordance with ORC 3317.031.

Management’s Response: The Superintendent and Treasurer met with the Principals, Supervisors and EMIS Coordinator. We clarified the proper absence coding for students, as well as the retention of records for a minimum of 5 years. We will be enforcing these procedures along with continuous monitoring. Also, EMIS reports will be reviewed prior to submission to ODE, with needed corrections being addressed and made.

Martins Ferry City School District
Belmont County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2015
(Continued)

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

Finding Number: 2015-002

Material Non-Compliance – Budgeting Procedures

Criteria: Ohio Rev. Code sections 5705.41 (B) and (D) prohibit a subdivision or taxing unit from expending money unless it has been appropriated.

Condition: During the performance of audit procedures, we noted the following funds had expenditures plus encumbrances exceeding appropriations:

	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund	\$ 12,980,000	\$ 13,052,031	\$ 72,031
Schoolwide Pool Fund	2,080,000	2,169,000	89,000

Cause: The School District did not properly amend appropriations as needed.

Potential Effect: Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures.

Recommendation: We recommend the School District compare expenditures and encumbrances to appropriations in all funds which are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison, and amendment if necessary, should be completed on a monthly basis at a minimum.

Management Response: The Treasurer’s Office will adjust any and all appropriations more often to reflect amounts accurately. Monthly adjustments will be made once the Project Cash Requests are calculated by ODE and approved through the CCIP. Since the Schoolwide Pool Fund and General Fund are intermingled, this procedure should alleviate both of these excesses.

Finding Number: 2015-003

Material Non-Compliance – Budgeting Procedures

Criteria: Ohio Rev. Code section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official certificate or amended official certificate. When the appropriation does not exceed such official certificate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

Martins Ferry City School District
Belmont County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2015
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number: 2015-003 (Continued)

Condition: The School District had final appropriations exceeding the certified estimated resources for the following funds:

	Total Estimated Resources	Final Appropriations	Excess
Title I Fund	\$ 496,916	\$ 501,000	\$ 4,084
Schoolwide Pool Fund	1,985,000	2,080,000	95,000

Cause: The School District did not properly amend appropriations to not exceed estimated resources.

Potential Effect: Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures.

Recommendation: We recommend the School District monitor appropriations to estimated resources in all funds which are legally required to be budgeted, to ensure compliance with the above requirement. This comparison should be compared on a regular basis and any time either certificate of estimated resources or appropriations are modified. Also, the School District should update its accounting records to reflect any changes in either certificate of estimated resources or appropriations.

Management Response: The Treasurer’s Office will adjust all appropriations and estimated resources more often to reflect amounts accurately. Monthly adjustments will be made once the Project Cash Requests are calculated by ODE and approved through the CCIP. Since the Schoolwide Pool, Title I, Title IIA and General Fund are intermingled, this procedure will be an ongoing process for those funds.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

Martins Ferry City School School District
Belmont County, Ohio
Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	Ohio Rev. Code Section 5705.10(I) – deficit fund balances	Yes	
2014-002	Significant Deficiency – Budgetary posting	No	Partially corrected, repeated as management letter comment.
2014-003	Title I – Cash Management	Yes	

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Dave Yost • Auditor of State

MARTINS FERRY CITY SCHOOL DISTRICT

BELMONT 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
MAY 24, 2016**