



Dave Yost • Auditor of State

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY**

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CLERMONT COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Milford Exempted Village School District
Clermont County
777 Garfield Avenue
Milford, Ohio 45150-1607

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Milford Exempted Village School District, Clermont County, Ohio (The District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities the business-type activities, each major fund, and the aggregate remaining fund information of Milford Exempted Village School District, Clermont County, Ohio, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 29, 2016

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**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

The discussion and analysis of Milford Exempted Village School District's ("District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$7,308,889 which represents a 25% increase from 2014.
- General revenues accounted for \$67,098,673 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$14,304,052 or 18% of total revenues of \$81,402,725.
- Business-type operations reflected an operating loss of \$340,092.
- The District had \$72,447,182 in expenses related to governmental activities; \$12,657,916 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$67,098,155 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2015?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* 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.

**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

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

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

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. Food service provided for other local districts and schools is reported as business activities.

Fund Financial Statements

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The General Fund, Ohio Facilities Construction Commission, and Food Service Provided for Other Districts Fund are the major funds of the District.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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

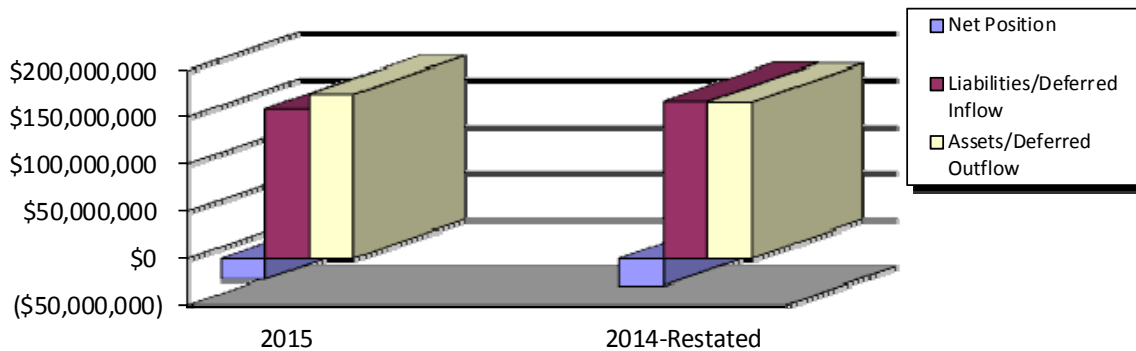
**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014-Restated	2015	2014	2015	2014-Restated
Assets:						
Current and Other Assets	\$100,065,282	\$92,898,562	\$684,044	\$417,039	\$100,749,326	\$93,315,601
Capital Assets	73,687,980	72,729,336	0	0	73,687,980	72,729,336
Total Assets	173,753,262	165,627,898	684,044	417,039	174,437,306	166,044,937
Deferred Outflows of Resources:						
Deferred Charge on Refunding Pension	2,737,674	5,811	0	0	2,737,674	5,811
	5,703,981	4,873,251	79,157	71,879	5,783,138	4,945,130
Total Deferred Outflows of Resources	8,441,655	4,879,062	79,157	71,879	8,520,812	4,950,941
Liabilities:						
Other Liabilities	8,106,049	6,272,772	105,545	100,126	8,211,594	6,372,898
Long-Term Liabilities	149,770,246	160,592,720	894,210	1,051,024	150,664,456	161,643,744
Total Liabilities	157,876,295	166,865,492	999,755	1,151,150	158,876,050	168,016,642
Deferred Inflows of Resources:						
Property Taxes	30,262,662	30,853,114	0	0	30,262,662	30,853,114
Grants and Other Taxes	2,408,238	2,275,000	0	0	2,408,238	2,275,000
Pension	13,825,479	0	145,133	0	13,970,612	0
Total Deferred Inflows of Resources	46,496,379	33,128,114	145,133	0	46,641,512	33,128,114
Net Position:						
Net Investment in Capital Assets	8,393,742	6,592,878	0	0	8,393,742	6,592,878
Restricted	29,129,947	31,969,123	0	0	29,129,947	31,969,123
Unrestricted	(59,701,446)	(68,048,647)	(381,687)	(662,232)	(60,083,133)	(68,710,879)
Total Net Position	(\$22,177,757)	(\$29,486,646)	(\$381,687)	(\$662,232)	(\$22,559,444)	(\$30,148,878)



**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

During 2015, the 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 District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows 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 \$56,949,024 to \$(30,148,878).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows were less than liabilities and deferred inflows by \$(22,559,444).

At year-end, capital assets represented 42% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2015, were \$8,393,742. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$29,129,947 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets increased from the prior year mainly because the District reissued debt and received debt proceeds exceeding depreciation. Capital assets increased in 2015 as compared to 2014 mainly due to acquisitions in 2015. Total 2015 liabilities decreased from the total restated 2014 liabilities due to a reduction in the net pension liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

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**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014-Restated	2015	2014	2015	2014-Restated
Revenues:						
Program Revenues:						
Charge for Services	\$4,787,688	\$4,531,697	\$1,017,499	\$1,089,068	\$5,805,187	\$5,620,765
Operating Grants, Contributions	7,870,228	8,280,855	628,637	482,135	8,498,865	8,762,990
General Revenues:						
Property Taxes	40,391,316	41,148,311	0	0	40,391,316	41,148,311
Grant and Entitlements	23,458,999	21,521,616	0	0	23,458,999	21,521,616
Grants and Entitlements for Capital Construction	0	24,392,198	0	0	0	24,392,198
Other	3,239,840	3,096,938	8,518	2,873	3,248,358	3,099,811
Total Revenues	79,748,071	102,971,615	1,654,654	1,574,076	81,402,725	104,545,691
Program Expenses:						
Instruction	43,513,476	41,269,053	0	0	43,513,476	41,269,053
Support Services:						
Pupil and Instructional Staff	4,213,236	4,236,588	0	0	4,213,236	4,236,588
School Administrative, General						
Administration, Fiscal and Business	4,954,261	5,171,070	0	0	4,954,261	5,171,070
Operations and Maintenance	5,043,599	4,788,964	0	0	5,043,599	4,788,964
Pupil Transportation	5,057,987	5,800,244	0	0	5,057,987	5,800,244
Central	1,055,047	933,310	0	0	1,055,047	933,310
Operation of Non-Instructional Services	3,996,734	3,874,065	0	0	3,996,734	3,874,065
Extracurricular Activities	1,182,337	1,190,900	0	0	1,182,337	1,190,900
Intergovernmental	0	683,151	0	0	0	683,151
Interest and Fiscal Charges	2,990,652	3,291,842	0	0	2,990,652	3,291,842
Bond Issuance Costs	439,853	0	0	0	439,853	0
Food Services	0	0	1,366,109	1,355,497	1,366,109	1,355,497
Total Program Expenses	72,447,182	71,239,187	1,366,109	1,355,497	73,813,291	72,594,684
Change in Net Position	7,300,889	31,732,428	288,545	218,579	7,589,434	31,951,007
Transfers - Internal Activities	8,000	0	(8,000)	0	0	0
Net Position - Beginning of Year, Restated	(29,486,646)	N/A	(662,232)	N/A	(30,148,878)	N/A
Net Position - End of Year	<u>(\$22,177,757)</u>	<u>(\$29,486,646)</u>	<u>(\$381,687)</u>	<u>(\$662,232)</u>	<u>(\$22,559,444)</u>	<u>\$30,148,878</u>

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 expenses still include pension expense of \$4,945,130 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 expenses of \$3,808,849. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$73,813,291
Program expenses under GASB 68	(3,808,849)
2015 contractually required contributions	<u>4,945,130</u>
Adjusted 2015 program expenses	74,949,572
Total 2014 program expenses under GASB 27	72,594,684
Increase in program expenses not related to pension	<u>\$2,354,888</u>

**Milford Exempted Village School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

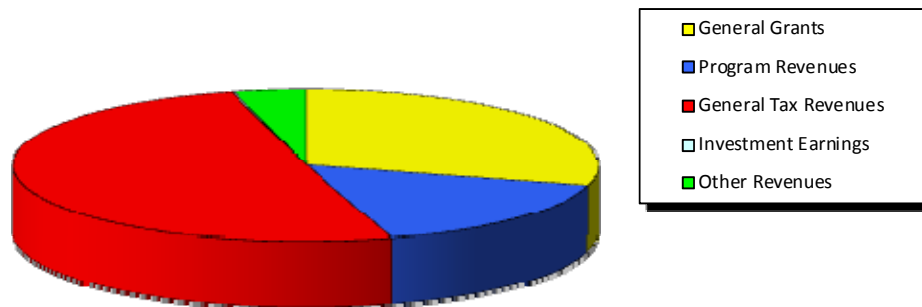
The District’s revenues are mainly from two sources. Property taxes levied for general, special revenue, debt service, and capital projects purposes and grants and entitlements comprised 80% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 57% of revenue for governmental activities for the District in fiscal year 2015.

**Governmental Activities
Revenue Sources**

Revenue Sources	2015	Percentage
General Grants	\$23,458,999	29.41%
Program Revenues	12,657,916	15.87%
General Tax Revenues	40,391,316	50.64%
Investment Earnings	133,403	0.17%
Other Revenues	3,114,437	3.91%
Total Revenue Sources	<u>\$79,756,071</u>	<u>100.00%</u>



Instruction comprises 60% of governmental program expenses. Support services expenses were 28% of governmental program expenses. All other expenses including interest expense were 12% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants decreased mainly due to a decrease in grant monies received in fiscal year 2015 as compared to fiscal year 2014. Grants and entitlements for capital construction decreased from 2015 to 2014 due to the District receiving OFCC monies in 2014 for new buildings. Instruction expense increased from 2014 to 2015 due to general inflationary costs.

**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

Governmental Activities

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$43,513,476	\$41,269,053	(\$35,167,724)	(\$33,065,929)
Support Services:				
Pupil and Instructional Staff	4,213,236	4,236,588	(3,509,876)	(3,129,187)
School Administrative, General				
Administration, Fiscal and Business	4,954,261	5,171,070	(4,883,593)	(5,064,121)
Operations and Maintenance	5,043,599	4,788,964	(4,680,214)	(4,501,872)
Pupil Transportation	5,057,987	5,800,244	(4,833,607)	(5,577,189)
Central	1,055,047	933,310	(1,042,447)	(917,110)
Operation of Non-Instructional Services	3,996,734	3,874,065	(1,454,627)	(1,395,533)
Extracurricular Activities	1,182,337	1,190,900	(786,673)	(800,701)
Intergovernmental	2,990,652	683,151	(2,990,652)	(683,151)
Interest and Fiscal Charges	439,853	3,291,842	(439,853)	(3,291,842)
Total Expenses	<u>\$72,447,182</u>	<u>\$71,239,187</u>	<u>(\$59,789,266)</u>	<u>(\$58,426,635)</u>

The District's Funds

The District has three major governmental funds: the General Fund, Debt Service, and the Ohio Facilities Construction Commission Fund. Assets of the General Fund comprised \$61,461,556 (61%), assets of the Debt Service Fund comprised \$6,932,074 (7%), and assets of the OFCC Fund comprised \$24,139,707 (24%) of the total \$100,278,463 governmental funds assets.

General Fund: Fund balance at June 30, 2015 was \$25,639,006, an increase in fund balance of \$4,796,173 from 2014. The increase in fund balance was mainly due to an increase in intergovernmental revenue.

Debt Service: Fund balance at June 30, 2015 was \$4,074,564, an increase in fund balance of \$658,714 from 2014. The increase in fund balance was mainly due to financing sources exceeding debt payments.

Ohio Facilities Construction Commission: Fund balance at June 30, 2015 was \$9,108,289, an increase in fund balance of \$7,840,175 from 2014. The increase in fund balance was mainly due to an increase in intergovernmental revenue from the OFCC.

**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

General Fund Budgeting Highlights

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

The District amended its general fund budget throughout the fiscal year. The District revised the Budget to deal with minor changes in expenditures.

For the General Fund, original estimated revenue was \$64,142,738. The final estimated revenue was \$65,870,000.

The District's ending unobligated cash balance was \$1,572,871 greater than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2015, the District had \$73,687,980 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2015 balances compared to fiscal 2014:

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

	Governmental Activities	
	2015	2014
Land	\$4,938,233	\$4,938,233
Construction in Progress	3,297,747	0
Buildings and Improvements	64,673,936	66,883,508
Equipment	778,064	907,595
Total Net Capital Assets	<u>\$73,687,980</u>	<u>\$72,729,336</u>

The increase in capital assets is due to additions exceeding depreciation in 2015.

See Note 6 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2015, the District had \$70,595,448 in bonds payable, \$1,175,000 due within one year. Table 5 summarizes outstanding debt at year end.

**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2015	2014
Bonds Payable:		
Refunded General Obligation Bonds: Current Interest - 2006	0	6,590,000
Refunded General Obligation Bonds: Capital Appreciation - Principal	410,000	410,000
Refunded General Obligation Bonds: Capital Appreciation - Interest	1,929,828	1,537,872
Refunded General Obligation Bonds - 2007	22,515,000	22,515,000
Long Term Notes	1,650,000	1,717,000
2008 School Improvement Bonds: Current Interest	930,000	30,410,000
2008 School Improvement Bonds: Capital Appreciation - Principal	285,000	285,000
2008 School Improvement Bonds: Capital Appreciation - Interest	621,818	479,125
Refunded General Obligation Bonds: Current Interest - 2012	0	965,000
Premium on Refunding Bonds	0	15,690
2015 Refunding of Series 2006	6,120,000	0
2015 Refunding of Series 2008: Current Interest	28,810,000	0
2015 Refunding of Series 2008: Capital Appreciation - Principal	435,000	0
2015 Refunding of Series 2008: Capital Appreciation - Interest	11,890	0
Premium on Bonds	6,876,912	3,234,579
Total Long Term Debt	<u>\$70,595,448</u>	<u>\$68,159,266</u>

See Note 7 to the basic financial statements for further details on the District's long-term obligations.

For the Future

A challenge facing the District is the future of state funds. In June, 2011, Ohio's Governor signed HB153, the state biennium budget bill for 2012 and 2013. Language included in HB153 eliminated the OEBM funding model. In June 2013, Ohio's Governor signed HB59, the state biennium budget bill for 2014 and 2015. A new funding model was introduced. June 2015, Ohio's Governor signed HB64 revising HB59 and altering the funding formula for 2016 and 2017. Simulations received from the state indicate the District will continue to be guaranteed funding amounts that were received in the previous biennium with a slight increase in funding.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact

**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

Debbie Caudle, Treasurer at Milford Exempted Village School District, 777 Garfield Avenue, Milford, Ohio 45150.

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Milford Exempted Village School District
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$42,539,238	\$684,044	\$43,223,282
Restricted Cash and Investments	144,352	0	144,352
Receivables (Net):			
Taxes	40,947,401	0	40,947,401
Accounts	19,331	0	19,331
Interest	82,091	0	82,091
Intergovernmental	16,220,015	0	16,220,015
Inventory	112,854	0	112,854
Nondepreciable Capital Assets	8,235,980	0	8,235,980
Depreciable Capital Assets, Net	65,452,000	0	65,452,000
Total Assets	173,753,262	684,044	174,437,306
Deferred Outflows of Resources:			
Deferred Charge on Refunding Pension	2,737,674	0	2,737,674
	5,703,981	79,157	5,783,138
Total Deferred Outflows of Resources	8,441,655	79,157	8,520,812
Liabilities:			
Accounts Payable	256,885	13,337	270,222
Accrued Wages and Benefits	5,863,444	92,208	5,955,652
Contracts Payable	1,608,512	0	1,608,512
Retainage Payable	134,301	0	134,301
Accrued Interest Payable	233,468	0	233,468
Claims Payable	9,439	0	9,439
Long-Term Liabilities:			
Due Within One Year	1,726,474	0	1,726,474
Due In More Than One Year			
Net Pension Liability	76,770,069	894,210	77,664,279
Other Amounts	71,273,703	0	71,273,703
Total Liabilities	157,876,295	999,755	158,876,050
Deferred Inflows of Resources:			
Property Taxes	30,262,662	0	30,262,662
Grants and Other Taxes	2,408,238	0	2,408,238
Pension	13,825,479	145,133	13,970,612
Total Deferred Inflows of Resources	46,496,379	145,133	46,641,512
Net Position:			
Net Investment in Capital Assets	8,393,742	0	8,393,742
Restricted for:			
Debt Service	3,879,659	0	3,879,659
Capital Projects	23,835,987	0	23,835,987
Classroom Facilities Maintenance	669,044	0	669,044
Athletic	201,863	0	201,863
Title VI-B	151,442	0	151,442
Title I	120,615	0	120,615
Federal Grants	19,975	0	19,975
Permanent Endowment Nonexpendable	12,072	0	12,072
Permanent Endowment Expendable	143,690	0	143,690
Other Purposes	95,600	0	95,600
Unrestricted	(59,701,446)	(381,687)	(60,083,133)
Total Net Position	(\$22,177,757)	(\$381,687)	(\$22,559,444)

See accompanying notes to the basic financial statements.

Milford Exempted Village 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	Operating Grants	Governmental Activities	Business-Type Activities	Total
		Services and Sales	and Contributions			
Governmental Activities:						
Instruction:						
Regular	\$31,705,050	\$3,070,068	\$641,791	(\$27,993,191)	\$0	(\$27,993,191)
Special	10,645,683	114,882	2,645,598	(7,885,203)	0	(7,885,203)
Vocational	894,861	0	2,637	(892,224)	0	(892,224)
Other	267,882	0	1,870,776	1,602,894	0	1,602,894
Support Services:						
Pupil	2,932,142	0	697,537	(2,234,605)	0	(2,234,605)
Instructional Staff	1,281,094	0	5,823	(1,275,271)	0	(1,275,271)
General Administration	84,434	0	0	(84,434)	0	(84,434)
School Administration	3,021,606	0	67,501	(2,954,105)	0	(2,954,105)
Fiscal	1,474,486	0	3,167	(1,471,319)	0	(1,471,319)
Business	373,735	0	0	(373,735)	0	(373,735)
Operations and Maintenance	5,043,599	250,933	112,452	(4,680,214)	0	(4,680,214)
Pupil Transportation	5,057,987	0	224,380	(4,833,607)	0	(4,833,607)
Central	1,055,047	0	12,600	(1,042,447)	0	(1,042,447)
Operation of Non-Instructional Services	3,996,734	956,141	1,585,966	(1,454,627)	0	(1,454,627)
Extracurricular Activities	1,182,337	395,664	0	(786,673)	0	(786,673)
Interest and Fiscal Charges	2,990,652	0	0	(2,990,652)	0	(2,990,652)
Bond Issuance Costs	439,853	0	0	(439,853)	0	(439,853)
Total Governmental Activities	72,447,182	4,787,688	7,870,228	(59,789,266)	0	(59,789,266)
Business-Type Activities:						
Food Service	1,366,109	1,017,499	628,637	0	280,027	280,027
Total Business-Type Activities	1,366,109	1,017,499	628,637	0	280,027	280,027
Totals	\$73,813,291	\$5,805,187	\$8,498,865	(59,789,266)	280,027	(59,509,239)
General Revenues:						
Property Taxes Levied for:						
General Purposes				36,197,883	0	36,197,883
Special Revenue Purposes				407,213	0	407,213
Debt Service Purposes				3,786,220	0	3,786,220
Grants and Entitlements, Not Restricted				23,458,999	0	23,458,999
Revenue in Lieu of Taxes				2,472,757	0	2,472,757
Unrestricted Contributions				112,781	0	112,781
Investment Earnings				133,403	0	133,403
Other Revenues				520,899	8,518	529,417
Transfers-Internal Activities				8,000	(8,000)	0
Total General Revenues and Transfers				67,098,155	518	67,098,673
Change in Net Position				7,308,889	280,545	7,589,434
Net Position - Beginning of Year, Restated				(29,486,646)	(662,232)	(30,148,878)
Net Position - End of Year				(\$22,177,757)	(\$381,687)	(\$22,559,444)

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Ohio Facilities Construction Commission	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$22,001,535	\$3,078,264	\$10,716,580	\$6,742,859	\$42,539,238
Restricted Cash and Investments	0	0	134,301	10,051	144,352
Receivables (Net):					
Taxes	36,679,203	3,853,810	0	414,388	40,947,401
Accounts	6,171	0	0	13,160	19,331
Interest	79,208	0	607	2,276	82,091
Intergovernmental	2,408,238	0	13,288,219	523,558	16,220,015
Interfund	213,181	0	0	0	213,181
Inventory	74,020	0	0	38,834	112,854
Total Assets	61,461,556	6,932,074	24,139,707	7,745,126	100,278,463
Liabilities:					
Accounts Payable	170,630	0	0	86,255	256,885
Accrued Wages and Benefits	5,348,387	0	0	515,057	5,863,444
Compensated Absences	347,569	0	0	14,954	362,523
Contracts Payable	0	0	1,608,512	0	1,608,512
Retainage Payable	0	0	134,301	0	134,301
Interfund Payable	0	0	0	213,181	213,181
Total Liabilities	5,866,586	0	1,742,813	829,447	8,438,846
Deferred Inflows of Resources:					
Property Taxes	27,497,403	2,857,510	0	307,188	30,662,101
Grants and Other Taxes	2,408,238	0	13,288,219	233,819	15,930,276
Investment Earnings	50,323	0	386	1,446	52,155
Total Deferred Inflows of Resources	29,955,964	2,857,510	13,288,605	542,453	46,644,532
Fund Balances:					
Nonspendable	74,020	0	0	12,837	86,857
Restricted	0	4,074,564	9,108,289	2,482,981	15,665,834
Committed	0	0	0	4,166,775	4,166,775
Assigned	897,555	0	0	143,690	1,041,245
Unassigned	24,667,431	0	0	(433,057)	24,234,374
Total Fund Balances	25,639,006	4,074,564	9,108,289	6,373,226	45,195,085
Total Liabilities, Deferred Inflows and Fund Balances	\$61,461,556	\$6,932,074	\$24,139,707	\$7,745,126	\$100,278,463

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balance		\$45,195,085
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		73,687,980
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	399,439	
Interest	52,155	
Intergovernmental	233,819	
Other Receivables	<u>13,288,219</u>	
		13,973,632
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
Internal Service Net Position		(9,439)
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(233,468)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(2,042,206)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		2,737,674
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	5,703,981	
Deferred inflows of resources related to pensions	<u>(13,825,479)</u>	
		(8,121,498)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(76,770,069)	
Other Amounts	<u>(70,595,448)</u>	
		<u>(147,365,517)</u>
Net Position of Governmental Activities		<u><u>(\$22,177,757)</u></u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Debt Service	Ohio Facilities Construction Commission	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$36,393,640	\$3,802,989	\$0	\$409,016	\$40,605,645
Tuition and Fees	3,184,950	0	0	0	3,184,950
Investment Earnings	98,112	0	717	113	98,942
Intergovernmental	26,974,686	513,338	11,103,980	3,851,693	42,443,697
Extracurricular Activities	181,958	0	0	213,706	395,664
Charges for Services	2,232	0	0	1,012,476	1,014,708
Revenue in Lieu of Taxes	2,408,238	0	0	64,519	2,472,757
Other Revenues	692,799	0	0	133,247	826,046
Total Revenues	69,936,615	4,316,327	11,104,697	5,684,770	91,042,409
Expenditures:					
Current:					
Instruction:					
Regular	29,920,565	0	0	625,752	30,546,317
Special	9,836,589	0	0	529,177	10,365,766
Vocational	126,812	0	0	0	126,812
Other	46,857	0	0	226,707	273,564
Support Services:					
Pupil	2,144,109	0	0	808,075	2,952,184
Instructional Staff	1,325,715	0	0	10,567	1,336,282
General Administration	84,759	0	0	0	84,759
School Administration	3,016,826	0	0	78,046	3,094,872
Fiscal	1,400,868	60,446	0	6,419	1,467,733
Business	369,704	0	0	0	369,704
Operations and Maintenance	4,753,153	0	0	246,558	4,999,711
Pupil Transportation	5,051,152	0	0	0	5,051,152
Central	1,030,596	0	0	13,525	1,044,121
Operation of Non-Instructional Services	1,021,812	0	0	2,922,346	3,944,158
Extracurricular Activities	1,015,129	0	0	228,173	1,243,302
Capital Outlay	0	0	3,264,522	214,769	3,479,291
Debt Service:					
Principal Retirement	0	7,790,000	0	67,000	7,857,000
Interest and Fiscal Charges	0	2,485,613	0	77,323	2,562,936
Bond Issuance Costs	0	439,853	0	0	439,853
Total Expenditures	61,144,646	10,775,912	3,264,522	6,054,437	81,239,517
Excess of Revenues Over (Under) Expenditures	8,791,969	(6,459,585)	7,840,175	(369,667)	9,802,892
Other Financing Sources (Uses):					
Issuance of Refunded Bonds	0	35,365,000	0	0	35,365,000
Payments to Bond Escrow Account	0	(33,625,366)	0	0	(33,625,366)
Premium on Bonds Sold	0	5,378,665	0	0	5,378,665
Transfers In	0	0	0	4,036,290	4,036,290
Transfers (Out)	(3,995,796)	0	0	(32,494)	(4,028,290)
Total Other Financing Sources (Uses)	(3,995,796)	7,118,299	0	4,003,796	7,126,299
Net Change in Fund Balance	4,796,173	658,714	7,840,175	3,634,129	16,929,191
Fund Balance - Beginning of Year	20,842,833	3,415,850	1,268,114	2,739,097	28,265,894
Fund Balance - End of Year	\$25,639,006	\$4,074,564	\$9,108,289	\$6,373,226	\$45,195,085

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
 Reconciliation of the Statement of Revenues, Expenditures, and Change
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds: \$16,929,191

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

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

Capital assets used in governmental activities	3,453,546	
Depreciation Expense	<u>(2,494,902)</u>	958,644

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

District pension contributions	4,983,452	
Cost of benefits earned net of employee contribution	<u>(3,756,262)</u>	1,227,190

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

Delinquent Property Taxes	(214,330)	
Interest	34,460	
Intergovernmental	(10,489)	
Other	<u>(11,103,979)</u>	(11,294,338)

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

Premium on Bonds Issued	(\$5,378,665)	
Deferred Amount on Refunding	2,737,674	
Refunding Bonds	(35,365,000)	
Bonds Advance Refunded	<u>30,887,692</u>	(7,118,299)

Repayment of bond principal and current bonds refunded are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position 7,857,000

In the statement of activities interest expense is accrued when incurred whereas, in governmental funds an interest expenditure is reported when due. 15,304

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

Compensated Absences	(821,036)	
Amortization of Bond Premium	109,330	
Amortization of Deferred Charge on Refunding	(5,811)	
Bond Accretion	<u>(546,539)</u>	(1,264,056)

The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities

Change in Net Position - Internal Service Funds:	<u>(1,747)</u>	
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Change in Net Position of Governmental Activities:	<u><u>\$7,308,889</u></u>	
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See accompanying notes to the basic financial statements

Milford Exempted Village School District
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities	Governmental Activities- Internal Service Funds
Current Assets:		
Equity in Pooled Cash and Investments	\$684,044	\$0
Total Assets	684,044	0
Deferred Outflows of Resources:		
Pension	79,157	0
Total Deferred Outflows of Resources	79,157	0
Liabilities:		
Current Liabilities:		
Accounts Payable	13,337	0
Accrued Wages and Benefits	92,208	0
Claims Payable	0	9,439
Total Current Liabilities	105,545	9,439
Long-Term Liabilities:		
Net Pension Liability	894,210	0
Total Noncurrent Liabilities	894,210	0
Total Liabilities	999,755	9,439
Deferred Inflows of Resources:		
Pension	145,133	0
Total Deferred Inflows of Resources	145,133	0
Net Position:		
Restricted for:		
Unrestricted	(381,687)	(9,439)
Total Net Position	(\$381,687)	(\$9,439)

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities	Governmental Activities- Internal Service Funds
Operating Revenues:		
Charges for Services	\$1,017,499	\$126,471
Other Revenues	8,518	0
Total Operating Revenues	<u>1,026,017</u>	<u>126,471</u>
Operating Expenses:		
Personal Services	582,180	0
Contactual Services	52,487	0
Materials and Supplies	621,744	0
Claims Expenses	0	128,218
Other	109,698	0
Total Operating Expenses	<u>1,366,109</u>	<u>128,218</u>
Operating Income (Loss)	<u>(340,092)</u>	<u>(1,747)</u>
Non-Operating Revenues (Expenses):		
Operating Grants	<u>628,637</u>	<u>0</u>
Total Non-Operating Revenues (Expenses)	<u>628,637</u>	<u>0</u>
Income (Loss) Before Contributions and Transfers	288,545	(1,747)
Transfers (Out)	<u>(8,000)</u>	<u>0</u>
Change in Net Position	280,545	(1,747)
Net Position - Beginning of Year, Restated	<u>(662,232)</u>	<u>(7,692)</u>
Net Position - End of Year	<u>(\$381,687)</u>	<u>(\$9,439)</u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$1,026,017	\$126,471
Cash Payments to Employees	(661,301)	0
Cash Payments to Suppliers	(718,348)	(126,471)
Net Cash Provided (Used) by Operating Activities	(353,632)	0
Cash Flows from Noncapital Financing Activities:		
Operating Grants Received	628,637	0
Payments to Other Funds	(8,000)	0
Net Cash Provided (Used) by Noncapital Financing Activities	620,637	0
Net Increase (Decrease) in Cash and Cash Equivalent	267,005	0
Cash and Cash Equivalents - Beginning of Year	417,039	0
Cash and Cash Equivalents - End of Year	684,044	0
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(340,092)	(1,747)
Adjustments:		
Pension Expense	(18,959)	0
Changes in Assets & Liabilities:		
Increase (Decrease) in Payables	13,094	0
Increase (Decrease) in Accrued Liabilities	(7,675)	0
Increase (Decrease) in Claims Payables	0	1,747
Net Cash Provided (Used) by Operating Activities	(\$353,632)	\$0

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$117,370</u>
Total Assets	<u>117,370</u>
Liabilities:	
Accounts Payable	96
Other Liabilities	<u>117,274</u>
Total Liabilities	<u>\$117,370</u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 1 - Description of the District

Milford Exempted Village School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the District's nine instructional support facilities staffed by approximately 357 non-certificated, 387 teaching personnel and 26 administrative employees providing education to approximately 6,705 students.

Reporting Entity

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Milford Exempted Village School District, this includes general operations, food service, latchkey, and student related activities of the District. The following activities are included within the reporting entity:

Parochial School Funding - Within the District boundaries, St. Andrew, St. Mark's Lutheran, and St. Elizabeth Ann Seton Schools are operated through the Cincinnati Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity of these State monies by the District are reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if (1) the District appoints a voting majority of the organization's governing board and (2) the District is able to significantly influence the programs or services performed or provided by the organization; or (3) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

The City of Milford, PTA's, Athletic Boosters, Band Boosters, Choral Boosters, After Prom, and the Parent Teacher Organizations, which perform activities within the District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District. The District is associated with three organizations of which two are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association (H/CCA) and Great Oaks Institute of Technology and Career Development. These organizations are presented in Note 14 to the basic financial statements.

Milford Exempted Village 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 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 District's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

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

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

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

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Governmental Funds

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

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

Deb Services – The det service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Ohio Facilities Construction Commission (OFCC) Fund – This fund is used to account for all intergovernmental monies, bond proceeds transferred in from Nonmajor Governmental Funds and interest received and expended in connection with the contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipping of new classroom facilities.

Proprietary Funds

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

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the District's major enterprise fund:

Food Service Provided for Other Districts – This fund accounts for operation of food service for a fee to students of other school districts.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

internal service fund of the District accounts for a self-insurance program which provides workers' compensation benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District maintains two fiduciary (agency) funds, known as the Student Managed Activity Fund and Unclaimed Monies Fund. The Student Managed Activity Fund was established to account for assets and liabilities generated by student managed activities and the Unclaimed Monies Fund was established to account for monies owed to others but not paid.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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.

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 District, deferred inflows of resources include property taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes tax incremental financing (TIF) and pension. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

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

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 the governmental funds.

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

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

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2015 amounted to \$98,942. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$98,112.

For purposes of the statement of cash flows, the Proprietary Funds' portion of equity in pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from those funds without prior notice or penalty.

Inventory

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements that add to the value of an asset or materially extend an asset's life are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Equipment	5

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, laws of other government or imposed by enabling legislation. Restricted assets include retainage and the nonexpendable amount relating to the permanent endowment fund.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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.

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified employees after 10 years of service, certified employees after 20 years and administrators after 25 years of service.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to the employee at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 230 days for teachers and 300 for administrators, and 230 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 57.5 days for teachers and 150 for administrators. Classified personnel, upon retirement, are paid for one-fourth of accrued, but unused sick leave credit to a maximum of 57.5 days.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's restricted net position of \$29,129,947, none was restricted by enabling legislation.

Fund Balance

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

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

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

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

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

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and self-insurance. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Position.

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

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.

Note 3 - Equity in Pooled Cash and Investments

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by federal depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2015, \$33,316,659 of the District's bank balance of \$33,816,659 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution,

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2015, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$215,160	0.00
Federal Home Loan Mortgage Corp	2,010,102	1.93
Federal National Mortgage Association	2,628,071	1.63
United States Treasury Notes	5,197,840	2.80
	<u>\$10,051,173</u>	
Portfolio Weighted Average Maturity		2.26

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

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Mortgage Corp., Federal National Mortgage Association, and United States Treasury Notes were rated AA+ by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Money Markets were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. 2% of investments at June 30, 2015 were in Money Markets, 20% in Federal Home Loan Mortgage Corp., 26% in Federal National Mortgage Association, and 52% in United States Treasury Notes.

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

Note 4 - Property Taxes

Real property taxes collected in 2015 were levied in April on the assessed values as of January 1, 2014, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax revenue received during calendar year 2015 (other than public utility property tax) represents the collection of 2015 taxes levied against local and interexchange telephone

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2015 were levied after April 1, 2014, on the value as of December 31, 2014. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The Clermont and Hamilton County Auditors remit portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2015 and for which there is an enforceable legal claim. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflow for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2015, was \$9,181,800 for General Fund, and \$1,103,500 for Other Governmental Funds, and is recognized as revenue.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$879,019,400
Public Utility	<u>29,845,250</u>
Total	<u><u>\$908,864,650</u></u>

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 5 – Receivables

Receivables at June 30, 2015, consisted of taxes, accounts (rent, tuition, and student fees), interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Note 6 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$4,938,233	\$0	\$0	\$4,938,233
Construction in Progress	0	3,297,747	0	3,297,747
Total Capital Assets, not being depreciated	4,938,233	3,297,747	0	8,235,980
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	95,436,211	58,787	0	95,494,998
Equipment	4,399,679	97,012	0	4,496,691
<i>Total Capital Assets, being depreciated:</i>	99,835,890	155,799	0	99,991,689
Totals at Historical Cost	104,774,123	3,453,546	0	108,227,669
Less Accumulated Depreciation:				
Buildings and Improvements	28,552,703	2,268,359	0	30,821,062
Equipment	3,492,084	226,543	0	3,718,627
Total Accumulated Depreciation	32,044,787	2,494,902	0	34,539,689
Governmental Activities Capital Assets, Net	<u>\$72,729,336</u>	<u>\$958,644</u>	<u>\$0</u>	<u>\$73,687,980</u>

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Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,237,093
Special	290,210
Vocational	795,319
Support Services:	
Pupil	914
School Administration	45,128
Fiscal	2,384
Business	9,570
Operations and Maintenance	57,533
Pupil Transportation	6,835
Central	8,301
Operation of Non-Instructional Services	38,286
Extracurricular Activities	3,329
Total Depreciation Expense	<u>\$2,494,902</u>

Note 7 - Long-Term Liabilities

	Rate	Restated Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Governmental Activities:						
Loan, Bonds & Notes:						
2006 Refunded General Obligation Bonds:						
Current Interest	3.00%	\$6,590,000	\$0	(\$6,590,000)	\$0	\$0
Capital Appreciation - Principal	4.00%	410,000	0	0	410,000	215,000
Capital Appreciation - Interest		1,537,872	391,956	0	1,929,828	0
2007 Refunded General Obligation Bonds		22,515,000	0	0	22,515,000	0
Long Term Notes		1,717,000	0	(67,000)	1,650,000	70,000
2008 School Improvement:						
Current Interest	3.50%	30,410,000	0	(29,480,000)	930,000	305,000
Capital Appreciation - Principal		285,000	0	0	285,000	0
Capital Appreciation - Interest		479,125	142,693	0	621,818	0
2012 Refunded General Obligation Bonds:						
Current Interest	3.00%	965,000	0	(965,000)	0	0
Premium Refunding Bonds		15,690	0	(15,690)	0	0
2015 Refunding of Series 2006:		0	6,120,000	0	6,120,000	90,000
2015 Refunding of Series 2008:						
Current Interest		0	28,810,000	0	28,810,000	495,000
Capital Appreciation - Principal		0	435,000	0	435,000	0
Capital Appreciation - Interest		0	11,890	0	11,890	0
Premium on Bonds		3,234,579	5,378,665	(1,736,332)	6,876,912	0
Total Loan, General Obligation Bonds & Notes		68,159,266	41,290,204	(38,854,022)	70,595,448	1,175,000
Net Pension Liability:						
STRS		71,458,200	0	(11,307,466)	60,150,734	0
SERS		19,533,808	0	(2,914,473)	16,619,335	0
Total Net Pension Liability		90,992,008	0	(14,221,939)	76,770,069	0
Compensated Absences		1,441,446	1,337,599	(374,316)	2,404,729	0
Total Governmental Activities		<u>\$160,592,720</u>	<u>\$42,627,803</u>	<u>(\$53,450,277)</u>	<u>\$149,770,246</u>	<u>\$1,175,000</u>

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

	Rate	Restated Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Business-Type Activities:						
Net Pension Liability:						
STRS		\$0	\$0	\$0	\$0	\$0
SERS		1,051,024	0	(156,814)	894,210	0
Total Net Pension Liability		<u>\$1,051,024</u>	<u>\$0</u>	<u>(\$156,814)</u>	<u>\$894,210</u>	<u>\$0</u>

General Obligation Bonds - On December 1, 2001 the District issued \$43,566,000 in general obligation bonds for the purpose of constructing three new school buildings and related land purchases. The bonds were issued for a twenty-nine year period with a final maturity of December 1, 2030. The bonds will be retired from the Debt Service Fund.

Refunding General Obligation Bonds - During fiscal year 2006, the District issued \$9,700,000 of general obligation bonds for the current refunding of \$9,700,000 of the 2001 series bonds. The \$1,410,164 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 26 years. The refunding was undertaken to take advantage of lower interest rates. The refunding bonds are retired through the Debt Service Fund using taxes revenues.

Refunding General Obligation Bonds - During fiscal year 2007, the District issued \$25,110,000 of general obligations bonds for the current refunding of \$25,110,000 of the 2001 series bonds. The \$2,247,367 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of the new debt, which has a remaining life of 25 years. The refunding was undertaken to take advantage of lower interest rates. The refunding bonds are retired through the Debt Service Fund using taxes revenues.

Long Term Notes - On November 17, 2005 the District authorized a \$1,550,000 financing through the OASBO Expanded Asset Pooled Financing Program for the purposes of renovating the bus garage facility. As of June 30, 2007 the District had drawn \$2,092,000 of the maximum financing amount. The note will be repaid over a twenty-five year period with a final maturity of January 1, 2031. The note will be repaid from the Debt Service Fund.

School Improvement General Obligation Bonds - During fiscal year 2009, the District issued \$31,375,000 of general obligation bonds, \$4 million of which retired the bond anticipation note. The \$357,126 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 27 years. The refunding bonds are retired through the Debt Service Fund using tax revenues.

Refunding General Obligation Bonds - During fiscal year 2012, the District issued \$2,635,000 of general obligation bonds, which retired the 2001 general obligation bonds. The \$94,138 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 3 years. The refunding bonds are retired through the Debt Service Fund.

Compensated absences will be paid from the fund from which the person is paid.

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Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2015, \$4,025,000 of bonds outstanding are considered defeased.

Principal and interest requirements for governmental activities to retire bonds and notes outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30	Loan, Notes & Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$960,000	\$2,832,677	\$3,792,677	\$215,000	\$1,145,000	\$1,360,000
2017	472,000	2,810,367	3,282,367	195,000	1,250,000	1,445,000
2018	1,896,000	2,778,519	4,674,519	0	0	0
2019	1,620,000	2,730,488	4,350,488	95,000	475,000	570,000
2020	1,673,000	2,663,896	4,336,896	95,000	560,000	655,000
2021-2025	13,968,000	11,707,185	25,675,185	530,000	1,390,000	1,920,000
2026-2030	20,960,000	7,276,810	28,236,810	0	0	0
2031-2035	13,526,000	2,629,101	16,155,101	0	0	0
2036-2037	4,950,000	250,500	5,200,500	0	0	0
Total	<u>\$60,025,000</u>	<u>\$35,679,543</u>	<u>\$95,704,543</u>	<u>\$1,130,000</u>	<u>\$4,820,000</u>	<u>\$5,950,000</u>

Note 8 – Advance Refunding

On March 12, 2015 the District issued \$6,120,000 in Current Interest Bonds with an interest rate between 2.00% and 5.00% which was used to current refund \$6,540,000 of the outstanding 2006 General Obligation Bonds with an interest rate between 3.00% and 4.00%. The net proceeds of \$6,675,260 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues. As a result, \$6,540,000 of the 2006 General Obligation Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

On March 12, 2015 the District issued \$28,810,000 in Current Interest Bonds with an interest rate between 2.00% and 5.00% and \$435,000 in Capital Appreciation Bonds all of which was used to partially advance refund \$29,245,000 of the outstanding 2008 General Obligation Bonds with an interest rate between 3.50% and 5.25%. The net proceeds of \$33,625,366 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues. As a result, \$29,245,000 of the 2008 General Obligation Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

Milford Exempted Village School District
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For The Fiscal Year Ended June 30, 2015

The District current and advance refunded 2006 and 2008 General Obligation Bonds to reduce its total debt service payments by \$2,129,268 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,641,826.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**Milford Exempted Village School District
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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 District's contractually required contribution to SERS was \$1,401,263 for fiscal year 2015. Of this amount \$154,465 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – 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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, 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 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 District's contractually required contribution to STRS was \$3,653,735 for fiscal year 2015. Of this amount \$633,672 is reported as accrued wages and benefits.

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015**

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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$17,513,545	\$60,150,734	\$77,664,279
Proportion of the Net Pension Liability	0.34605300%	0.24729513%	
Pension Expense	1,029,940	2,778,909	3,808,849

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$149,059	\$579,081	\$728,140
District contributions subsequent to the measurement date	<u>1,401,263</u>	<u>3,653,735</u>	<u>5,054,998</u>
Total Deferred Outflows of Resources	<u>\$1,550,322</u>	<u>\$4,232,816</u>	<u>\$5,783,138</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$2,842,498</u>	<u>\$11,128,114</u>	<u>\$13,970,612</u>

\$5,054,998 reported as deferred outflows of resources related to pension resulting from 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	(\$673,359)	(\$2,637,259)	(\$3,310,618)
2017	(673,360)	(2,637,258)	(3,310,618)
2018	(673,360)	(2,637,258)	(3,310,618)
2019	<u>(673,360)</u>	<u>(2,637,258)</u>	<u>(3,310,618)</u>
Total	<u>(\$2,693,439)</u>	<u>(\$10,549,033)</u>	<u>(\$13,242,472)</u>

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 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.

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

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

Asset Class	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	100.00 %	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$24,986,624	\$17,513,545	\$11,228,040

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Notes to the Basic Financial Statements
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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:

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

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

Milford Exempted Village School District
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of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$86,112,334	\$60,150,734	\$38,195,957

Note 10 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other 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

Milford Exempted Village School District
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percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$154,465.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$236,539, \$196,671, and \$137,583, respectively. For fiscal year 2015, 89 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$271,951, and \$267,575 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 11 - Contingent Liabilities

Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, 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 District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Grants

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

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015**

Litigation

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted with Acordia for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Indiana Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$159,282,732
Inland Marine Coverage (\$500 deductible)	included above
Boiler and Machinery	included above
Automobile Liability (\$250 Comprehensive & \$500 Collision deductible)	1,000,000
Uninsured Motorists	1,000,000
Employers' Liability (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence (\$1,000 deductible)	1,000,000
Aggregate	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

The District is self-insured for its workers' compensation costs. Expenses for claims are recorded on the current basis based on an actuarially determined charge per employee. The District accounts for the activities of this program in an internal service fund in accordance with GASB Statement No. 10. A summary of the changes in self-insurance workers' compensation claims liability is as follows:

	<u>2015</u>
Claims Liability at Beginning of Year	\$7,692
Claims Incurred	128,218
Claims Paid	<u>(126,471)</u>
Claims Liability at End of Year	<u><u>\$9,439</u></u>

Note 13 - Fund Balance Reserves For Set-Asides

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

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

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015**

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set Aside Requirements	1,092,204
Qualified Disbursements	(938,747)
Current year Offsets	<u>(153,457)</u>
Set Aside Reserve Balance as of June 30, 2015	<u>\$0</u>
Restricted Cash as of June 30, 2015	<u>\$0</u>
Carried Forward to FY 2016	<u>\$0</u>

Note 14 - Jointly Governed Organizations

Hamilton/Clermont Cooperative Association

The Milford Exempted Village School District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. Complete financial statements for H/CCA can be obtained from Tom Collins, Director, their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, 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 participating school district's elected board, which possesses its own budgeting and taxing authority. Great Oaks Institute of Technology and Career Development was formed for the purpose of providing vocational education opportunities to the students of the school district including students of Milford Exempted Village School District. The District has no ongoing financial interest in nor responsibility for the Vocational School. Complete financial statements for Great Oaks Great Oaks Institute of Technology and Career Development can be obtained from the Chief Fiscal Officer, Robert Giuffre, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 15 - Insurance Purchasing Pool

The District participates in Southwest Ohio Organization of School Health (SWOOSH) an insurance purchasing pool. The objective of the SWOOSH consortium is to maximize benefits and / or reduce costs of medical, prescription drug, vision, dental, life and / or other group insurance coverages. While the consortium serves short term savings needs, in the long term it will promote rate stability and allow the districts to move to a healthier place using wellness. SWOOSH is a health and wellness consortium for school districts and government agencies that come together to provide stability and quality access to health care and benefits to all eligible members. SWOOSH will do this by leveraging economies of scale,

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

commonality of choices and driving wellness and health management by collaborative efforts of all participating agencies. SWOOSH became self-insured January 1, 2015.

Note 16 – Fund Balances

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

Fund Balances	General	Debt Service	Ohio Facilities Construction Commission	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$74,020	\$0	\$0	\$765	\$74,785
Permanent	0	0	0	12,072	12,072
Total Nonspendable	74,020	0	0	12,837	86,857
Restricted for:					
Other Grants	0	0	0	49,117	49,117
Athletic	0	0	0	201,863	201,863
Auxiliary Services	0	0	0	21,459	21,459
Classroom Facilities Maintenance	0	0	0	665,176	665,176
Title VI-B	0	0	0	31,311	31,311
Carl Perkins	0	0	0	16,290	16,290
Title I	0	0	0	6,927	6,927
Title III	0	0	0	4	4
IDEA Preschool Grant	0	0	0	1,549	1,549
Reducing Class Size	0	0	0	1,676	1,676
Miscellaneous Federal Grants	0	0	0	456	456
Special Trust	0	0	0	46,483	46,483
Debt Service	0	4,074,564	0	0	4,074,564
Permanent Improvement	0	0	0	1,440,670	1,440,670
Classroom Facilities	0	0	9,108,289	0	9,108,289
Total Restricted	0	4,074,564	9,108,289	2,482,981	15,665,834
Committed to:					
Building	0	0	0	4,166,775	4,166,775
Total Committed	0	0	0	4,166,775	4,166,775
Assigned to:					
Encumbrances	293,256	0	0	0	293,256
Permanent	0	0	0	143,690	143,690
Public Schools	604,299	0	0	0	604,299
Total Assigned	897,555	0	0	143,690	1,041,245
Unassigned (Deficit)	24,667,431	0	0	(433,057)	24,234,374
Total Fund Balance	\$25,639,006	\$4,074,564	9,108,289	\$6,373,226	\$45,195,085

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 17 - Interfund Balances/Transfers

At fiscal year end, interfund receivable/payable and transfers in/transfers out were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$213,181	\$0	\$0	\$3,995,796
Other Governmental Funds	0	213,181	4,036,290	32,494
Business-Type Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,000</u>
Total all funds	<u>\$213,181</u>	<u>\$213,181</u>	<u>\$4,036,290</u>	<u>\$4,036,290</u>

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

Note 18 - Accountability

The following funds had deficit fund balances/net position at June 30, 2015:

<u>Other Governmental Funds:</u>	<u>Deficit</u>	<u>Proprietary Fund:</u>	<u>Deficit</u>
Miscellaneous State Grants	\$9,854	Internal Service	\$9,439
Alternative School Program	5,601		
Food Service	416,837		

These deficits were created by the recognition of accrued liabilities.

Note 19 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 20 – Food Service for Other Districts/Schools

Effective with the fiscal year ending June 30, 2013, the District is now providing food service for several other local districts (Finneytown Local School District, Madeira City Schools, Wyoming City Schools) and schools (St. Elizabeth Ann Seton, St. Andrew, St. Columban, Clermont Educational Collaborative North) and this activity is recorded in the enterprise fund. Food service for Milford students continues to be recorded in the special revenue funds for the District.

Note 21 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the 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:

	Governmental Activities	Business-Type Activities
Net position June 30, 2014	\$56,632,111	\$316,913
Adjustments:		
Net Pension Liability	(90,992,008)	(1,051,024)
Deferred Outflow - Payments Subsequent to Measurement Date	4,873,251	71,879
Restated Net Position June 30, 2014	<u>(\$29,486,646)</u>	<u>(\$662,232)</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

Milford Exempted Village School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.24729513%	0.24729513%
District's Proportionate Share of the Net Pension Liability	\$60,150,734	\$71,458,200
District's Covered-Employee Payroll	\$29,982,307	\$30,658,390
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	200.62%	233.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Milford Exempted Village School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.346053%	0.346053%
District's Proportionate Share of the Net Pension Liability	\$17,513,545	\$20,584,832
District's Covered-Employee Payroll	\$9,393,202	\$9,445,033
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	186.45%	217.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Milford Exempted Village School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$3,653,736	\$3,537,342	\$3,746,052	\$3,636,564	\$3,912,444	\$3,553,440	\$3,358,572	\$3,393,276	\$3,494,208	\$3,593,016
Contributions in Relation to the Contractually Required Contribution	(3,653,736)	(3,537,342)	(3,746,052)	(3,636,564)	(3,912,444)	(3,553,440)	(3,358,572)	(3,393,276)	(3,494,208)	(3,593,016)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$30,954,988	\$29,982,307	\$30,658,390	\$30,571,356	\$31,424,726	\$30,124,070	\$28,078,636	\$28,538,516	\$27,748,759	\$28,832,907
Contributions as a Percentage of Covered-Employee Payroll	11.80%	11.80%	12.22%	11.90%	12.45%	11.80%	11.96%	11.89%	12.59%	12.46%

Milford Exempted Village School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$1,401,264	\$1,407,788	\$1,374,480	\$1,240,104	\$1,313,616	\$1,341,000	\$1,275,564	\$1,321,680	\$1,358,832	\$1,359,948
Contributions in Relation to the Contractually Required Contribution	(1,401,264)	(1,407,788)	(1,374,480)	(1,240,104)	(1,313,616)	(1,341,000)	(1,275,564)	(1,321,680)	(1,358,832)	(1,359,948)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$9,678,267	\$9,393,202	\$9,445,033	\$9,102,462	\$9,588,917	\$9,402,539	\$10,670,274	\$10,784,122	\$9,380,962	\$10,100,395
Contributions as a Percentage of Covered-Employee Payroll	14.48%	14.99%	14.55%	13.62%	13.70%	14.26%	11.95%	12.26%	14.48%	13.46%

Milford Exempted Village School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$33,839,146	\$34,750,380	\$35,279,740	\$529,360
Revenue in lieu of taxes	2,309,901	2,372,103	2,408,238	36,135
Tuition and Fees	1,266,265	1,300,363	1,320,172	19,809
Investment Earnings	61,993	63,662	64,632	970
Intergovernmental	25,873,216	26,569,941	26,974,686	404,745
Extracurricular Activities	130,298	133,807	135,845	2,038
Charges for Services	2,141	2,199	2,232	33
Other Revenues	659,778	677,545	687,866	10,321
Total Revenues	64,142,738	65,870,000	66,873,411	1,003,411
Expenditures:				
Current:				
Instruction:				
Regular	29,007,150	29,368,647	29,107,604	261,043
Special	9,826,990	9,949,458	9,861,022	88,436
Vocational	119,426	120,915	119,840	1,075
Other	46,520	47,100	46,681	419
Support Services:				
Pupil	2,176,328	2,203,450	2,183,865	19,585
Instructional Staff	1,290,584	1,306,667	1,295,053	11,614
General Administration	90,646	91,776	90,960	816
School Administration	2,994,177	3,031,491	3,004,546	26,945
Fiscal	1,424,114	1,441,862	1,429,046	12,816
Business	368,963	373,561	370,241	3,320
Operations and Maintenance	4,754,102	4,813,349	4,770,566	42,783
Pupil Transportation	5,111,471	5,175,171	5,129,172	45,999
Central	1,069,479	1,082,808	1,073,183	9,625
Operation of Non-Instructional Services	498	504	500	4
Extracurricular Activities	1,010,876	1,023,474	1,014,377	9,097
Total Expenditures	59,291,324	60,030,233	59,496,656	533,577
Excess of Revenues Over (Under) Expenditures	4,851,414	5,839,767	7,376,755	1,536,988
Other Financing Sources (Uses):				
Transfers (Out)	(3,987,322)	(4,037,013)	(4,001,130)	35,883
Total Other Financing Sources (Uses)	(3,987,322)	(4,037,013)	(4,001,130)	35,883
Net Change in Fund Balance	864,092	1,802,754	3,375,625	1,572,871
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	17,436,347	17,436,347	17,436,347	0
Fund Balance End of Year	\$18,300,439	\$19,239,101	\$20,811,972	\$1,572,871

See accompanying notes to the required supplementary information.

Milford Exempted Village School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2015

Note 1 – Budgetary Process

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

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 on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2015.

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

While the 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 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Milford Exempted Village School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2015

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

	<u>General</u>
GAAP Basis	\$4,796,173
Revenue Accruals	(3,063,204)
Expenditure Accruals	2,041,226
Transfers Out	(5,334)
Encumbrances	(395,371)
Funds Budgeted Elsewhere	<u>2,135</u>
Budget Basis	<u><u>\$3,375,625</u></u>

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**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	239,722		239,722	
National School Lunch Program	10.555	1,232,117	195,720	1,232,117	195,720
<i>Total Nutrition Cluster</i>		1,471,839	195,720	1,471,839	195,720
<i>Lunch Program Equipment Assistance Grant</i>	10.579	35,500		35,500	
Total U.S. Department of Agriculture		1,507,339	195,720	1,507,339	195,720
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I - FY14	84.010	124,074		141,071	
Title I - FY15	84.010	518,044		532,618	
<i>Total Title I</i>		642,118		673,689	
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY14	84.027	187,624		232,093	
IDEA Part B - FY15	84.027	1,102,486		1,110,228	
Early Childhood - FY14	84.173	5,859		7,240	
Early Childhood - FY15	84.173	34,294		32,739	
<i>Total Special Education Cluster</i>		1,330,263		1,382,300	
English Language Acquisition - FY14	84.365	-		3,877	
English Language Acquisition - FY15	84.365	19,299		19,048	
<i>Total Rural & Low Income</i>		19,299		22,925	
Improving Teacher Quality - FY14	84.367	15,349		25,061	
Improving Teacher Quality - FY15	84.367	121,747		121,545	
<i>Total Improving Teacher Quality</i>		137,096		146,606	
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education	84.048	12,000		12,000	
Total Department of Education		2,140,776	-	2,237,520	-
U.S. Department of Health and Human Services					
<i>Passed Through Substance Abuse and Mental Health Services Administration:</i>					
Drug-Free Communities Support Program Grants FY 14	93.276	25,567		29,538	
Drug-Free Communities Support Program Grants FY 15		102,119		100,262	
Total U.S. Department of Health and Human Services		127,686		129,800	
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 3,775,801	\$ 195,720	\$ 3,874,659	\$ 195,720

The accompanying notes to this schedule are an integral part of this schedule.

**MILFORD EXEMPT VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports Milford Exempt Village School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – PRIOR YEAR FEDERAL SCHEDULE

The following grants were not disclosed in the previous Federal Schedules:

Drug-Free Communities Support Program Grants, CFDA #93.276

Fiscal Year Ending June 30, 2011 - \$74,406

Fiscal Year Ending June 30, 2012 - \$128,576

Fiscal Year Ending June 30, 2013 - \$148,340

Fiscal Year Ending June 30, 2014 - \$119,140

State Administration Expense for Child Nutrition, CFDA #10.560

Fiscal Year Ending June 30, 2014 - \$4,765



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

Milford Exempted Village School District
Clermont County
777 Garfield Avenue
Milford, Ohio 45150-1607

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Milford Exempted Village School District, Clermont County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 29, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Milford Exempted Village School District
Clermont County
777 Garfield Avenue
Milford, Ohio 45150-1607

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Milford Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Milford Exempted Village School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 29, 2016

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: IDEA Part B CFDA# 84.027 Preschool Subsidy CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING 2015-001

Material Weakness-Lunchroom

Milford EVSD operates and provides food service for a fee to District students and students of seven other school districts. The District uses Meal Plus software to account for food service sales.

**FINDING 2015-001
(Continued)**

According to the District, during the month of November 2014, the Meals Plus software became sluggish and sporadically locked up. On November 26, 2014, the server which housed the database for all Meals Plus modules, completely failed when four of the six hard drives became corrupt. On December 19, 2014, after multiple attempts failed to restore the database, it was determined that the historical backup files were also corrupted and the data for all Meals Plus modules were lost from the time period of June 2013 through January 5, 2015.

While the District was working to restore the database, the lunchroom ran in offline mode, so the District also lost all data related to the period during which they were attempting to restore the database. Therefore, Food Service management was unable to determine amounts that individual students had charged against amounts on deposit in their lunchroom accounts during the period the lunchroom was running in offline mode; the District "wrote off" \$179,348 in sales that should have been charged to student lunchroom accounts during the period that the lunchroom was running in offline mode. The District notified all parents the student lunchroom accounts were not charged during the time period the lunchroom was running in offline mode.

The District was able to provide hard copies of receipts and cash register reports for our audit testing.

The District was unable to provide adequate counts for the December lunch sales and contacted the Ohio Department of Education (ODE) regarding reports needed to document support for reimbursement of their December lunch count for the National School Lunch Federal Program. The District was able to work with ODE, to determine an acceptable method to support reimbursement requests for the month of December, by using an average of the prior month lunch counts as support to the December reimbursement.

To reduce the possibility of the loss of data in the event of a disruption of computer services, the District should develop and maintain a disaster recovery plan. This plan should identify the procedures necessary for the District to continue processing information in the event of a disaster.

The lack of a disaster recovery plan for restoring computer operations could lead to the District's inability to reestablish systems essential to data processing, in an efficient manner.

We recommend the development of a disaster recovery plan that includes, but not be limited to:

- Recovery Terms, Definitions, and Personnel Responsibilities
- Maintenance of data off-site either via tape rotation or replication
- Source code escrow agreement with vendor
- Procedures for periodically testing backup data to ensure its availability
- Procedures for updating and distributing antivirus protection to all workstations
- End User Recovery Procedures
- Public Relations Liaison Procedures

The disaster recovery plan should be periodically reviewed and tested to ensure its continued applicability. This review should also ensure that personnel are sufficiently trained to carry out procedures necessary to restore functions critical to business operations. In addition, a copy of the plan should be stored at an off-site location.

**FINDING 2015-001
(Continued)**

Officials' Response:

After the database failure, the district developed a disaster recovery plan that is aligned with the recommendations of this audit.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

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MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT

CLERMONT 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
APRIL 12, 2016**