



Dave Yost • Auditor of State

**MADEIRA INDIAN HILL JOINT FIRE DISTRICT
HAMILTON COUNTY**

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HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madeira Indian Hill Joint Fire District
Hamilton County
6475 Drake Road
Cincinnati, Ohio 45243

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madeira Indian Hill Joint Fire District, Hamilton County, Ohio (the District), as of and for the year ended December 31, 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madeira Indian Hill Joint Fire District, Hamilton County, Ohio, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during the year ended December 31, 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 also GASB 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017, 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.



Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2017

Madeira & Indian Hill Joint Fire District, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The discussion and analysis of Madeira & Indian Hill Joint Fire District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 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:

- In total, net position increased \$1,207,928.
- General revenues accounted for \$2,721,179 in revenue, or 65% of all revenues. Program specific revenues in the form of charges for services and sales and capital grants and contributions accounted for \$1,495,757, or 35% of total revenues of \$4,216,936.
- The District had \$3,009,008 in expenses related to governmental activities.

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 General and Permanent Improvement Fund are the only major funds.

Government-wide Financial Statements

While this document contains information about the funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Government-wide Financial Statements answers this question. These statements include all assets and deferred outflows of resources, and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Madeira & Indian Hill Joint Fire District, Ohio
Management's Discussion and Analysis
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These two statements report the District's net position and changes in those assets. 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.

In the Government-wide Financial Statements, the District presents:

- **Governmental Activities** – All of the District's programs and services are reported here as security of persons and property and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds.

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

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

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**Madeira & Indian Hill Joint Fire District, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)**

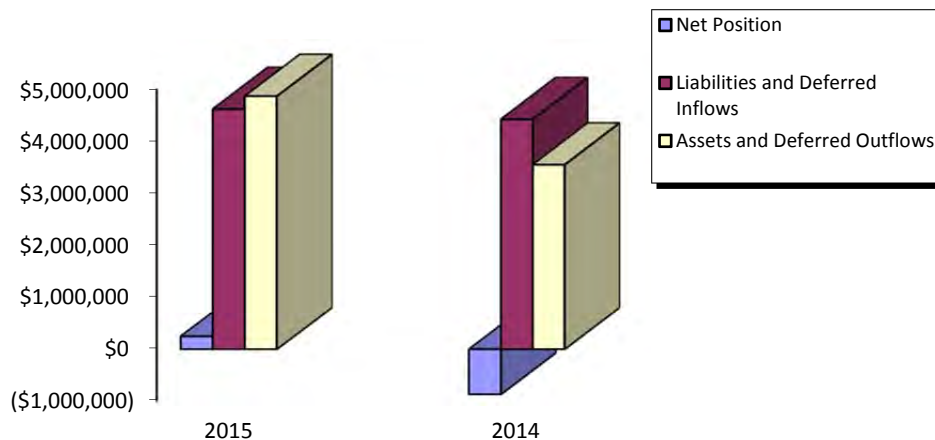
The District as a Whole

Recall that the Statement of Net Position provides the perspective of 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**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014-Restated</u>
Assets		
Current and Other Assets	\$1,860,075	\$1,662,168
Capital Assets	<u>2,579,759</u>	<u>1,575,870</u>
Total Assets	<u>4,439,834</u>	<u>3,238,038</u>
Deferred Outflows of Resources:		
Pension	522,320	320,319
Liabilities		
Other Liabilities	426,151	388,446
Long-Term Liabilities	<u>4,200,435</u>	<u>4,043,327</u>
Total Liabilities	<u>4,626,586</u>	<u>4,431,773</u>
Deferred Inflows of Resources:		
Pension	966	0
Net Position		
Net Investment in Capital Assets	2,425,380	1,362,220
Restricted	7	0
Unrestricted	<u>(2,090,875)</u>	<u>(2,235,636)</u>
Total Net Position	<u><u>\$334,512</u></u>	<u><u>(\$873,416)</u></u>



Madeira & Indian Hill Joint Fire District, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 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

Madeira & Indian Hill Joint Fire District, Ohio
Management's Discussion and Analysis
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(Unaudited)

pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As 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 December 31, 2014, from \$2,503,483 to (\$873,416) for governmental activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$334,512.

At year end, capital assets represented 59% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. The amount of net investment in capital assets at December 31, 2015, was \$2,425,380. Net Capital Assets increase mainly due to the beginning of the District's construction of a new fire station (Madeira Fire Station).

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Madeira & Indian Hill Joint Fire District, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Table 2 shows the change in net position for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$232,818	\$200,549
Capital Grants and Contributions	1,262,939	175,000
General Revenues:		
Grants and Entitlements, Not Restricted	2,702,535	2,688,440
Other Revenues	18,644	27,847
Total Revenues	<u>4,216,936</u>	<u>3,091,836</u>
Program Expenses:		
Security of Persons and Property	3,004,915	2,967,910
Interest and Fiscal Charges	4,093	6,938
Total Expenses	<u>3,009,008</u>	<u>2,974,848</u>
Change in Net Position	1,207,928	116,988
Net Position Beginning of Year, Restated	<u>(873,416)</u>	N/A
Net Position End of Year	<u>\$334,512</u>	<u>(\$873,416)</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 functional expenses still include pension expense of \$300,319 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$384,659. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$3,009,008
Pension expense under GASB 68	(384,659)
2015 contractually required contributions	351,992
Adjusted 2015 program expenses	<u>2,976,341</u>
Total 2014 program expenses under GASB 27	<u>2,974,848</u>
Increase in program expenses not related to pension	<u>\$1,493</u>

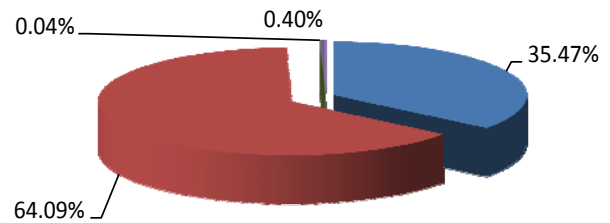
Madeira & Indian Hill Joint Fire District, Ohio
Management’s Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Security of persons and property comprises 99.9% of governmental program expenses. Total revenues increased in 2015 mainly due to monies received to begin construction of the new fire house. Total expenses for 2015 increased slightly mainly due to the general and inflationary expenses.

Governmental Activities

The District revenues are mainly from one source. Grants and entitlements (General Grants) comprised 64% of the District’s total revenues for governmental activities.

Revenue Sources	2015	Percent of Total
Program Revenues	\$1,495,757	35.47%
General Grants	2,702,535	64.09%
Investment Earnings	1,772	0.04%
Other Revenues	16,872	0.40%
	<u>\$4,216,936</u>	<u>100.00%</u>



The District’s reliance upon Grants and Entitlements (General Grants) is demonstrated by the above graph.

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

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Security of Persons and Property	\$3,004,915	\$2,967,910	(\$1,509,158)	(\$2,592,361)
Interest and Fiscal Charges	4,093	6,938	(4,093)	(6,938)
	<u>\$3,009,008</u>	<u>\$2,974,848</u>	<u>(\$1,513,251)</u>	<u>(\$2,599,299)</u>

The District’s Major Fund

The District has two major governmental funds: the General and Permanent Improvement Funds. The assets of these two funds are the total governmental fund assets.

General Fund: Fund balance at December 31, 2015 was \$1,433,917. The increase in fund balance was mainly due to increases in charges for services and intergovernmental revenue.

Permanent Improvement Fund: Fund balance at December 31, 2015 was \$7. The fund balance is due to interest received during the year.

Madeira & Indian Hill Joint Fire District, Ohio
Management’s Discussion and Analysis
For the Year Ended December 31, 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 only budgeted fund is the General Fund.

During the course of 2015, the District did not amend its General Fund budget. The District uses budgeting systems designed to tightly control budgets but provide flexibility for management.

For the General Fund, original and final budget basis revenue was \$3,110,163.

The District’s ending unobligated cash balance was \$1,433,917.

Capital Assets and Debt Administration

Capital Assets

At year end, the District had \$2,579,759 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows 2015 balances compared to 2014:

Table 4
Capital Assets

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$24,096	\$24,096
Construction in Progress	1,173,696	0
Buildings and Improvements	97,260	167,059
Equipment	<u>1,284,707</u>	<u>1,384,715</u>
Total Net Capital Assets	<u>\$2,579,759</u>	<u>\$1,575,870</u>

The increase in capital assets was due to the beginning of the construction of a new firehouse.

See Note 4 to the basic financial statements for further details on the District’s capital assets.

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Madeira & Indian Hill Joint Fire District, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Debt

At year end, the District had \$154,379 in Capital Lease payable, \$60,672 due within one year. Table 5 summarizes total long term debt outstanding at year end.

Table 5
Outstanding Debt, at Year End

	<u>2015</u>	<u>2014</u>
Capital Lease	\$154,379	\$213,650

See Note 6 and 7 of the Notes to the Basic Financial Statements for further details on the District's long-term obligations.

Contacting the District's Financial Management

This financial report is designed to provide 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 Dianne Donlan, Clerk at Madeira & Indian Hill Joint Fire District, 6475 Drake Road, Cincinnati, Ohio 45243.

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Madeira & Indian Hill Joint Fire District, Ohio
Statement of Net Position
December 31, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$1,672,459
Receivables:	
Accounts	54,357
Due From Other Governments	85,757
Prepays	47,502
Nondepreciable Capital Assets	1,197,792
Depreciable Capital Assets, Net	<u>1,381,967</u>
 Total Assets	 <u>4,439,834</u>
Deferred Outflows of Resources:	
Pension	<u>522,230</u>
	<u>522,230</u>
Liabilities:	
Accrued Liabilities	284,527
Retainage Payable	85,757
Accrued Interest Payable	1,510
Intergovernmental Payable	54,357
Long-Term Liabilities:	
Due Within One Year	73,666
Due In More Than One Year	
Net Pension Liability	3,936,830
Other Amounts	<u>189,939</u>
 Total Liabilities	 <u>4,626,586</u>
Deferred Inflows of Resources:	
Pension	<u>966</u>
 Total Deferred Inflows of Resources	 <u>966</u>
Net Position:	
Net Investment in Capital Assets	2,425,380
Restricted for:	
Capital Projects	7
Unrestricted	<u>(2,090,875)</u>
 Total Net Position	 <u><u>\$334,512</u></u>

See accompanying notes to the basic financial statements.

Madeira & Indian Hill Joint Fire District, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
Security of Persons and Property	\$3,004,915	\$232,818	\$1,262,939	(\$1,509,158)
Interest and Fiscal Charges	4,093	0	0	(4,093)
Total Governmental Activities	<u>\$3,009,008</u>	<u>\$232,818</u>	<u>\$1,262,939</u>	<u>(1,513,251)</u>
General Revenues:				
				2,702,535
				1,772
				<u>16,872</u>
Total General Revenues				<u>2,721,179</u>
Change in Net Position				1,207,928
Net Position Beginning of Year, Restated				<u>(873,416)</u>
Net Position End of Year				<u>\$334,512</u>

See accompanying notes to the basic financial statements.

Madeira & Indian Hill Joint Fire District, Ohio
 Balance Sheet
 Governmental Funds
 December 31, 2015

	General	Permanent Improvement	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,672,452	\$7	\$1,672,459
Receivables:			
Accounts	54,357	0	54,357
Due From Other Governments	0	85,757	85,757
Prepays	47,502	0	47,502
Total Assets	1,774,311	85,764	1,860,075
Liabilities and Fund Balances:			
Liabilities:			
Accrued Liabilities	284,527	0	284,527
Retainage Payable	0	85,757	85,757
Accrued Interest Payable	1,510	0	1,510
Intergovernmental Payable	54,357	0	54,357
Total Liabilities	340,394	85,757	426,151
Fund Balances:			
Nonspendable	47,502	0	47,502
Restricted	0	7	7
Committed	109,226	0	109,226
Assigned	1,277,189	0	1,277,189
Total Fund Balances	1,433,917	7	1,433,924
Total Liabilities and Fund Balances	\$1,774,311	\$85,764	\$1,860,075

See accompanying notes to the basic financial statements.

Madeira & Indian Hill Joint Fire District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2015

Total Governmental Fund Balance		\$1,433,924
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 fund.		2,579,759
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 the governmental fund.		
Compensated Absences		(109,226)
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	522,230	
Deferred inflows of resources related to pensions	<u>(966)</u>	
		521,264
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(3,936,830)	
Other Amounts	<u>(154,379)</u>	
		<u>(4,091,209)</u>
Net Position of Governmental Activities		<u><u>\$334,512</u></u>

See accompanying notes to the basic financial statements.

Madeira & Indian Hill Joint Fire District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2015

	General	Permanent Improvement	Total Governmental Funds
Revenues:			
Investment Earnings	\$1,765	\$7	\$1,772
Intergovernmental	2,877,535	1,087,939	3,965,474
Charges for Services	232,818	0	232,818
Other Revenues	16,872	0	16,872
Total Revenues	<u>3,128,990</u>	<u>1,087,946</u>	<u>4,216,936</u>
Expenditures:			
Current:			
Security of Persons and Property	2,879,009	0	2,879,009
Capital Outlay	37,826	1,087,939	1,125,765
Debt Service:			
Principal Retirement	59,271	0	59,271
Interest and Fiscal Charges	4,093	0	4,093
Total Expenditures	<u>2,980,199</u>	<u>1,087,939</u>	<u>4,068,138</u>
Excess of Revenues Over (Under) Expenditures	<u>148,791</u>	<u>7</u>	<u>148,798</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Salvaged Equipment	11,404	0	11,404
Total Other Financing Sources (Uses)	<u>11,404</u>	<u>0</u>	<u>11,404</u>
Net Change in Fund Balance	160,195	7	160,202
Fund Balance Beginning of Year	<u>1,273,722</u>	<u>0</u>	<u>1,273,722</u>
Fund Balance End of Year	<u><u>\$1,433,917</u></u>	<u><u>\$7</u></u>	<u><u>\$1,433,924</u></u>

See accompanying notes to the basic financial statements.

Madeira & Indian Hill Joint Fire District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Fund to the Statement of Activities
 For the Fiscal Year Ended December 31, 2015

Net Change in Fund Balance - Total Governmental Fund \$160,202

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

Governmental fund reports 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	1,211,522	
Depreciation Expense	<u>(207,633)</u>	
		1,003,889

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	351,992	
Cost of benefits earned net of employee contributions	<u>(384,659)</u>	
		(32,667)

Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 59,271

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 fund.

Compensated Absences		<u>17,233</u>
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Change in Net Position of Governmental Activities		<u><u>\$1,207,928</u></u>
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See accompanying notes to the basic financial statements.

Madeira & Indian Hill Joint Fire District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2015

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$162,933</u>
Total Assets	<u>162,933</u>
Liabilities:	
Other Liabilities	<u>162,933</u>
Total Liabilities	<u>\$162,933</u>

See accompanying notes to the basic financial statements.

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Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 – Description of the District and Reporting Entity

Madeira & Indian Hill Joint Fire District (the “District”) is a political body incorporated and 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 was established by the councils of the City of the Village of Indian Hill and the City of Madeira under the provisions of Section 505.371, Ohio Revised Code, on December 17, 1984, commencing operation as a District on January 1, 1985. The Fire District operates under the direction of a twelve member Board of Trustees, of which two members are council members of their respective Cities. The District provides the following services: fire protection, medical services, public safety and other public services.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that 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. The Board has direct responsibility for these activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board; and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organizations. Component units may also include organizations for which the District authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

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 local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial 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, deferred outflows of resources, liabilities, deferred inflows of resources associated with the

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

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

Fund Financial Statements

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

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

Fund Accounting

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

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

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Permanent Improvement Fund – The Permanent Improvement Fund is provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

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 custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a medical reimbursement plan agency fund which accounts for assets, deferred outflows of resources, liabilities, deferred inflows of resources held for the District's employees covered under the medical reimbursement plan.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants and entitlements. Revenue from grants and entitlements is recognized in the 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 specific 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.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 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. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the net difference between projected and actual earnings on pension plan investments, and (2) the District's contributions to the pension systems subsequent to the measurement date. The deferred outflow of resources is only reported on the government-wide statement of net position.

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. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The District also reports a deferred inflow of resources for the net difference between expected and actual experience related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

To improve cash management the District's cash and investments are pooled. Monies for all funds, except cash and investments held in segregated accounts, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet.

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

For presentation on the statement of net position/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The General and Permanent Improvement Fund received investment earnings. Investment earnings credited to the General Fund amounted to \$1,765 and \$7 for the Permanent Improvement Fund.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids.

Capital Assets

General capital 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. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5-30 years
Equipment	5-20 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Compensated absences are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 (prepaids) or have legal or contractual requirements to maintain the balance intact.

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

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 Trustees. The commitment is rescinded or removed through resolution.

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

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 applies restricted resources first when an expense is incurred for purposes which both restricted and unassigned fund balances are available. 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.

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.

Net Position

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

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District did not have any net position restricted by enabling legislation.

Estimates

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

Note 3 - Equity in Pooled Cash and Investments

Cash resources are combined to form a pool of cash and investments. This pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

Statutes require the classification of funds held by the District into three categories.

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

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

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

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

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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 depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2015, \$21,037 of the District's bank balance of \$271,037 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, provided that 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.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Investments

As of December 31, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>
STAROhio	\$1,641,290	0.14

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 the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAM by Standard and Poor’s and Fitch ratings.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District invested 100% in STAROhio.

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

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Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 4 – Capital Assets

Capital asset activity for the current year end was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$24,096	\$0	\$0	\$24,096
Construction in Progress	0	1,173,696	0	1,173,696
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	973,834	0	346,870	626,964
Equipment	<u>2,703,404</u>	<u>37,826</u>	<u>203,840</u>	<u>2,537,390</u>
Totals at Historical Cost	<u>3,701,334</u>	<u>1,211,522</u>	<u>550,710</u>	<u>4,362,146</u>
Less Accumulated Depreciation:				
Buildings and Improvements	806,775	69,799	346,870	529,704
Equipment	<u>1,318,689</u>	<u>137,834</u>	<u>203,840</u>	<u>1,252,683</u>
Total Accumulated Depreciation	<u>2,125,464</u>	<u>207,633</u>	<u>550,710</u>	<u>1,782,387</u>
Governmental Activities Capital Assets, Net	<u>\$1,575,870</u>	<u>\$1,003,889</u>	<u>\$0</u>	<u>\$2,579,759</u>

Depreciation expense was charged to the governmental function as follows:

Security of Persons and Property \$207,633

Note 5 – Compensated Absences

Sick leave is accrued at the rate of 5.2 hours for each 80 regularly scheduled hours worked, to a maximum accrual of 136 hours in any calendar year. Upon retirement from active service with the District, employees may convert one-fourth of unused sick leave (maximum 720 hours) to pay. Employees cannot accumulate vacation but full-time employees may carry-over into the next year up to two vacation days, which carry-over days must be used in the following (carry-over) year. If any carry-over vacation days are not used in the following year, then said carry-over vacation days will be lost. Or, upon written request to the Fire Chief prior to December 1, and upon approval of the Fire Chief, full-time employees may be paid for unused vacation days up to a maximum amount of fifty percent of their annual vacation days.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 6 – Long-Term Debt

	Restated Beginning Balance Outstanding	Additions	Deletions	Ending Balance Outstanding	Due In One Year
Governmental Activities:					
Capital Lease	\$213,650	\$0	\$59,271	\$154,379	\$60,672
Net Pension Liability	3,703,218	553,931	320,319	3,936,830	0
Compensated Absences	126,459	3,990	21,223	109,226	12,994
Total Governmental Activities	<u>\$4,043,327</u>	<u>\$557,921</u>	<u>\$400,813</u>	<u>\$4,200,435</u>	<u>\$73,666</u>

Compensated absences will be paid from the fund from which the employee is paid (the general fund). General Obligation Bonds and Capital Leases will be paid from the General Fund.

Note 7 - Capital Lease

The District entered into a capital lease for a fire truck in 2013.

The lease described above meets the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Future capital lease payments will be made from the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending June 30	Capital Leases
2016	\$63,945
2017	63,945
2018	31,973
Total Minimum Lease Payments	159,863
Less: Amount Representing Interest	(5,484)
Present Value of Minimum Lease Payments	<u>\$154,379</u>

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

Equipment	\$300,000
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Note 8 – Insurance

The District maintains comprehensive coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

property and contents are 90 percent coinsured. Settled claims have not exceeded coverage in any of the past three years. There have been no significant changes in coverage from last year.

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 intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The District's contractually required contribution was \$11,578 for 2015.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - District full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The District's contractually required contribution to OPF was \$340,414 for 2015.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. 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>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$54,999	\$3,881,831	\$3,936,830
Proportion of the Net Pension Liability	0.0004560%	0.0749328%	
Pension Expense	\$6,005	\$378,655	\$384,660

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$2,935	\$167,303	\$170,238
District contributions subsequent to the measurement date	<u>11,578</u>	<u>340,414</u>	<u>351,992</u>
Total Deferred Outflows of Resources	<u><u>\$14,513</u></u>	<u><u>\$507,717</u></u>	<u><u>\$522,230</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$966</u>	<u>\$0</u>	<u>\$966</u>

\$351,992 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 December 31, 2016.

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Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OPF	Total
Year Ending December 31:			
2016	\$492	\$41,826	\$42,318
2017	492	41,826	42,318
2018	492	41,826	42,318
2019	493	41,825	42,318
Total	\$1,969	\$167,303	\$169,272

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification 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. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$101,182	\$54,999	\$16,101

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the 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.

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Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
 Total	 120.00 %	

* Levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

The total pension liability was calculated using the discount rate of 8.25 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 longer-term assumed investment rate of return 8.25 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, a 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 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
District's proportionate share of the net pension liability	\$5,369,160	\$3,881,831	\$2,622,516

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 10 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0%

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

Information from District's Records

The total employer contribution rate, above, is the statutorily required contribution rates for OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund health care. The District's actual contributions for the current year, which were used to fund postemployment benefits, were \$1,653 for 2015, \$1,116 for 2014, and \$492 for 2013.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description

The District contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OPF, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OPF website at www.op-f.org.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2015 thru December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from District's Records

The District's contributions to OPF for the year ending December 31, 2015 was \$7,149; year ending December 31, 2014 was \$6,752; and for the year ending December 31, 2013 were \$47,003 for fire were allocated to the healthcare plan.

Note 11 – Change in Accounting Principle and Restatement of Net Position

For 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.

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Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	<u>Governmental Activities</u>
Net position December 31, 2014	\$2,509,483
Adjustments:	
Net Pension Liability	(3,703,218)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>320,319</u>
Restated Net Position December 31, 2014	<u><u>(\$873,416)</u></u>

Note 12 – Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Total</u>
Nonspendable:			
Prepays	<u>\$47,502</u>	<u>\$0</u>	<u>\$47,502</u>
Restricted for:			
Capital Projects	0	7	7
Committed to:			
Compensated Absences	<u>109,226</u>	<u>0</u>	<u>109,226</u>
Assigned to:			
Subsequent Year Budget	395,440	0	395,440
Capital Items	801,749	0	801,749
Payroll	<u>80,000</u>	<u>0</u>	<u>80,000</u>
Total Assigned	<u>1,277,189</u>	<u>0</u>	<u>1,277,189</u>
Total Fund Balance	<u><u>\$1,433,917</u></u>	<u><u>\$7</u></u>	<u><u>\$1,433,924</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Madeira & Indian Hill Joint Fire District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.00045600%	0.00045600%
District's Proportionate Share of the Net Pension Liability	\$54,999	\$53,756
District's Covered-Employee Payroll	\$56,092	\$52,538
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.05%	102.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) - Information prior to 2013 is not available

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

Madeira & Indian Hill Joint Fire District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.0749328%	0.0749328%
District's Proportionate Share of the Net Pension Liability	\$3,881,832	\$3,649,462
District's Covered-Employee Payroll	\$1,540,221	\$1,943,097
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	252.03%	187.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) - Information prior to 2013 is not available

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

Madeira & Indian Hill Joint Fire District, Ohio
 Required Supplementary Information
 Schedule of District Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$11,578	\$6,731	\$6,830
Contributions in Relation to the Contractually Required Contribution	<u>(11,578)</u>	<u>(6,731)</u>	<u>(6,830)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's Covered-Employee Payroll	\$96,483	\$56,092	\$52,538
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) - Information prior to 2013 is not available

Madeira & Indian Hill Joint Fire District, Ohio
 Required Supplementary Information
 Schedule of District Contributions
 Ohio Police and Fire Pension Fund
 Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$340,414	\$313,589	\$331,881
Contributions in Relation to the Contractually Required Contribution	<u>(340,414)</u>	<u>(313,589)</u>	<u>(331,881)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's Covered-Employee Payroll	\$1,694,445	\$1,540,221	\$1,943,097
Contributions as a Percentage of Covered-Employee Payroll	20.09%	20.36%	17.08%

(1) - Information prior to 2013 is not available

Madeira & Indian Hill Joint Fire District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$1,754	\$1,754	\$1,765	\$11
Charges for Services	231,417	231,417	232,818	1,401
Intergovernmental	2,860,222	2,860,222	2,877,535	17,313
Other Revenues	16,770	16,770	16,872	102
Total Revenues	3,110,163	3,110,163	3,128,990	18,827
Expenditures:				
Current:				
<u>Security of Persons and Property</u>				
Personal Services	3,497,760	3,497,760	2,589,532	908,228
Contractual Services	253,904	253,904	189,074	64,830
Supplies and Materials	127,500	127,500	94,945	32,555
Other Expenditures	7,329	7,329	5,458	1,871
Capital Outlay	50,796	50,796	37,826	12,970
Debt Service:				
Principal Retirement	59,271	59,271	59,271	0
Interest and Fiscal Charges	5,496	5,496	4,093	1,403
Total Expenditures	4,002,056	4,002,056	2,980,199	1,021,857
Excess of Revenues Over (Under) Expenditures	(891,893)	(891,893)	148,791	1,040,684
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	11,335	11,335	11,404	69
Total Other Financing Sources (Uses)	11,335	11,335	11,404	69
Net Change in Fund Balance	(880,558)	(880,558)	160,195	1,040,753
Fund Balance Beginning of Year	1,273,722	1,273,722	1,273,722	0
Fund Balance End of Year	\$393,164	\$393,164	\$1,433,917	\$1,040,753

See accompanying notes to the required supplementary information.

Madeira & Indian Hill Joint Fire District, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2015

Note 1 – Budgetary Process

The District prepares its budget on a GAAP basis. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the budget, the appropriations resolution and the certificate of estimated resources, which are also prepared on the GAAP basis of accounting. The certificate of estimated resources establishes a limit on the amount that the Board of Trustees may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by Board. The legal level of control has been established by the Board at the fund and function, and object level. Any budgetary modifications at this level may only be made by the resolution of the Board of Trustees.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Clerk. 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 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.

As indicated above, the District prepares its budget on a GAAP basis. Therefore there are no differences between the budget basis and GAAP basis.



Dave Yost • Auditor of State

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

Madeira Indian Hill Joint Fire District
Hamilton County
6475 Drake Road
Cincinnati, Ohio 45243

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madeira Indian Hill Joint Fire District, Hamilton County, (the District) as of and for the year ended December 31, 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 February 28, 2017, wherein we noted that 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 also GASB 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2017



Dave Yost • Auditor of State

MADEIRA INDIAN HILL JOINT FIRE DISTRICT

HAMILTON 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
MARCH 14, 2017**