



Dave Yost • Auditor of State

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mariemont City School District
Hamilton County
2 Warrior Way
Cincinnati, Ohio 45227

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mariemont City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2016, 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, the major fund, and the aggregate remaining fund information of Mariemont City School District, Hamilton County, Ohio, as of June 30, 2016, and the changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 April 5, 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

April 5, 2017

Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The discussion and analysis of Mariemont City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position of governmental activities increased \$639,426 which represents a 4% increase from 2015.
- General revenues accounted for \$23,886,311 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,099,824 or 8% of total revenues of \$25,986,135.
- The District had \$25,346,709 in expenses related to governmental activities; \$2,099,824 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,886,311 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities – All of the District's programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

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

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

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

The District as a Whole

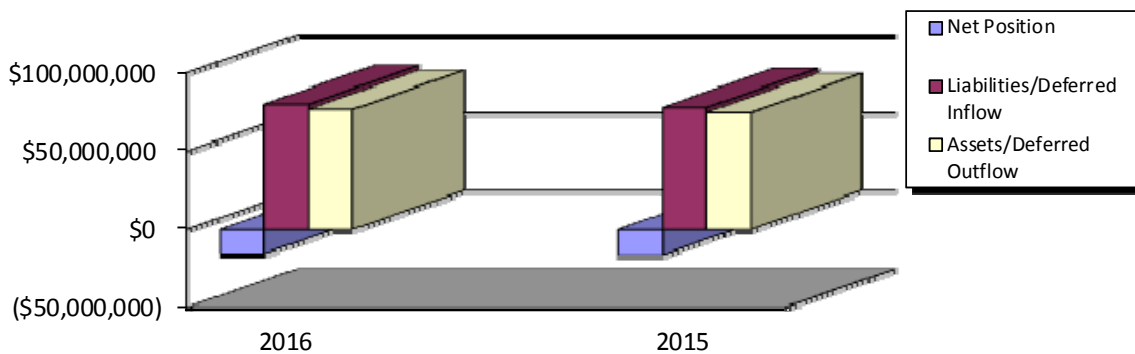
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2016 compared to 2015:

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Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2016	2015
Assets:		
Current and Other Assets	\$34,079,204	\$31,108,509
Capital Assets	42,725,640	43,787,610
Total Assets	76,804,844	74,896,119
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	21,437	1,004,577
	3,042,664	2,037,670
Total Deferred Outflows of Resources	3,064,101	3,042,247
Liabilities:		
Other Liabilities	2,415,657	2,225,355
Long-Term Liabilities	77,599,966	75,782,367
Total Liabilities	80,015,623	78,007,722
Deferred Inflows of Resources:		
Property Taxes	13,154,584	11,208,934
Pension	2,222,757	4,885,155
Total Deferred Inflows of Resources	15,377,341	16,094,089
Net Position:		
Net Investment in Capital Assets	(4,112,933)	(3,618,181)
Restricted	2,167,043	2,169,904
Unrestricted	(13,578,129)	(14,715,168)
Total Net Position	(\$15,524,019)	(\$16,163,445)



Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by \$15,524,019.

At year-end, capital assets represented 56% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2016, were (\$4,112,933). These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,167,043 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets increased from the prior year mainly due to the increase in the District's cash and investments. Long-term liabilities decreased due to the increase in Net Pension Liability from 2015 to 2016.

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

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Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues		
Charges for Services	\$1,000,097	\$784,341
Operating Grants, Contributions	1,099,727	1,239,200
General Revenues:		
Property Taxes	17,836,868	19,643,785
Grants and Entitlements	5,897,434	5,984,572
Investment Earnings	81,901	34,715
Other	70,108	59,363
Total Revenues	<u>25,986,135</u>	<u>27,745,976</u>
Program Expenses:		
Instruction	13,672,493	12,886,335
Support Services:		
Pupil and Instructional Staff	2,479,044	2,488,273
School Administrative, General		
Administration, Fiscal and Business	2,261,994	2,134,414
Operations and Maintenance	2,340,073	2,325,185
Pupil Transportation	910,694	832,772
Central	173,017	204,624
Operation of Non-Instructional Services	496,832	437,069
Extracurricular Activities	959,028	836,704
Interest and Fiscal Charges	<u>2,053,534</u>	<u>1,551,201</u>
Total Program Expenses	<u>25,346,709</u>	<u>23,696,577</u>
Change in Net Position	639,426	4,049,399
Net Position - Beginning of Year	<u>(16,163,445)</u>	<u>(20,212,844)</u>
Net Position - End of Year	<u><u>(\$15,524,019)</u></u>	<u><u>(\$16,163,445)</u></u>

The District revenues are mainly from two sources. Property taxes levied for general and debt service purposes, and grants and entitlements comprised 91% of the District's revenues for governmental activities.

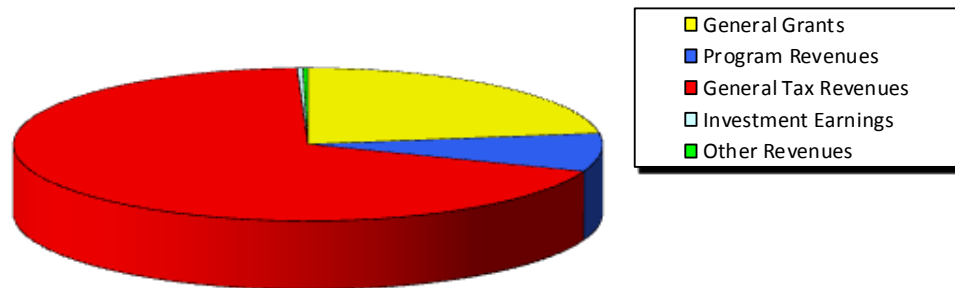
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

Mariemont City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 69% of revenue for governmental activities for the District in fiscal year 2016.

Governmental Activities
Revenue Sources

	2016	Percentage
General Grants	\$5,897,434	22.69%
Program Revenues	2,099,824	8.08%
General Tax Revenues	17,836,868	68.64%
Investment Earnings	81,901	0.32%
Other Revenues	70,108	0.27%
Total Revenue Sources	\$25,986,135	100.00%



Instruction comprises 54% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other expenses including interest expense were 14%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District’s overall financial position remained constant from 2015 to 2016. Program revenues increased from the prior year due to an increase in charges for services and sales. General revenues decreased due to a decrease in tax monies received.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. These services are mainly supported by tax revenue and unrestricted State entitlements.

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Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$13,672,493	\$12,886,335	(\$12,822,686)	(\$11,868,244)
Support Services:				
Pupil and Instructional Staff	2,479,044	2,488,273	(2,272,603)	(2,298,763)
School Administrative, General				
Administration, Fiscal and Business	2,261,994	2,134,414	(2,261,994)	(2,134,414)
Operations and Maintenance	2,340,073	2,325,185	(2,340,073)	(2,325,185)
Pupil Transportation	910,694	832,772	(887,137)	(797,100)
Central	173,017	204,624	(173,017)	(204,624)
Operation of Non-Instructional Services	496,832	437,069	3,236	(28,035)
Extracurricular Activities	959,028	836,704	(439,077)	(465,470)
Interest and Fiscal Charges	2,053,534	1,551,201	(2,053,534)	(1,551,201)
Total Expenses	<u>\$25,346,709</u>	<u>\$23,696,577</u>	<u>(\$23,246,885)</u>	<u>(\$21,673,036)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the General Fund comprised \$30,317,311 (89%) of the total \$34,079,204 governmental funds assets.

General Fund: Fund balance at June 30, 2016 was \$15,862,536 including \$15,807,358 of unassigned balance. The District had an increase in fund balance of \$919,715. One of the causes for the increase in fund balance was an increase in equity pooled cash and investments.

General Fund Budgeting Highlights

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

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$23,152,783, compared to original budget estimates of \$23,149,788.

The District's unobligated cash balance for the General Fund was \$12,342,312.

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Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$42,725,640 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

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

	Governmental Activities	
	2016	2015
Land	\$1,110,469	\$1,110,469
Buildings and Improvements	40,456,574	41,481,862
Furniture and Equipment	1,158,597	1,195,279
Total Net Capital Assets	<u>\$42,725,640</u>	<u>\$43,787,610</u>

Total Net Capital Assets decreased in 2016 as compared to 2015 because depreciation expense was greater than current year additions.

See Note 7 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2016, the District had \$46,860,010 in debt outstanding, \$1,212,512 due within one year. Table 5 summarizes total debt outstanding.

Table 5
Outstanding Debt at Year End

	2016	2015
General Obligation Bonds Payable:		
Certificate of Participation	\$1,625,000	\$1,715,000
Permanent Improvement Bonds 2010 BABs	27,995,000	28,115,000
Permanent Improvement Bonds 2010 QSCB	10,445,000	10,805,000
Permanent Improvement Bonds 2005	880,000	5,435,000
Refunding Bonds - 2015	3,910,000	0
Premium on Bonds	893,973	1,107,169
Capital Leases	1,111,037	1,233,199
Total Outstanding Debt at Year End	<u>\$46,860,010</u>	<u>\$48,410,368</u>

See Notes 8 and 9 to the Basic Financial Statements for further details on the District's obligations.

Mariemont City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Economic Outlook

The Ohio Department of Education explains the school funding model in Ohio as follows:

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees.

The 2010-11 biennial budget (Am. Sub. HBI of the 128th General Assembly) established another new funding formula called the Evidence-Based Model (EBM). Am. Sub. HB 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula, the Bridge Formula, for the 12-13 school year as a new funding formula was developed. The State revised the funding model in June, 2013 and adopted HB 59, the FY 14 and FY 15 biennium budget which again changed our funding formula, but not our funding. In June 2015, Ohio's Governor signed HB64, the state biennium budget bill for FY 16 and FY 17. This made further changes to the funding formula.

Given the uncertainty of the school funding formula and the economic conditions within the State, the level at which the State will fund schools in the future remains uncertain. The District remains concerned about the instability of the state economy and the political ramifications of changing the funding formula every two years. We plan carefully and prudently to provide resources to meet the needs of our students but the uncertainty of state funding challenges our planning.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact Tom Golinar, Treasurer at Mariemont City School District, 2 Warrior Way, Mariemont, OH 45227 or e-mail him at TGolinar@MariemontSchools.org.

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Mariemont City School District, Ohio
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$14,006,758
Restricted Cash and Investments	140,000
Receivables (Net):	
Taxes	19,836,317
Accounts	13,242
Interest	7,718
Intergovernmental	55,939
Prepays	4,044
Inventory	15,186
Nondepreciable Capital Assets	1,110,469
Depreciable Capital Assets, Net	<u>41,615,171</u>
 Total Assets	 <u>76,804,844</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	21,437
	<u>3,042,664</u>
 Total Deferred Outflows of Resources	 <u>3,064,101</u>
Liabilities:	
Accounts Payable	28,388
Accrued Wages and Benefits	2,266,077
Accrued Interest Payable	121,192
Long-Term Liabilities:	
Due Within One Year	1,280,315
Due In More Than One Year:	
Net Pension Liability	30,366,685
Other Amounts	<u>45,952,966</u>
 Total Liabilities	 <u>80,015,623</u>
Deferred Inflows of Resources:	
Property Taxes	13,154,584
Pension	<u>2,222,757</u>
 Total Deferred Inflows of Resources	 <u>15,377,341</u>
Net Position:	
Net Investment in Capital Assets	(4,112,933)
Restricted for:	
Debt Service	1,568,907
Capital Projects	199,478
District Managed Activities	127,766
Auxiliary Services	53,332
Food Service	38,114
Federal Grants	59,507
Other Purposes	119,939
Unrestricted	<u>(13,578,129)</u>
 Total Net Position	 <u><u>(\$15,524,019)</u></u>

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$11,336,293	\$244,673	\$80,319	(\$11,011,301)
Special	2,199,042	9,393	512,547	(1,677,102)
Adult	7,285	0	0	(7,285)
Other	129,873	2,875	0	(126,998)
Support Services:				
Pupil	1,645,380	0	170,131	(1,475,249)
Instructional Staff	833,664	0	36,310	(797,354)
General Administration	16,685	0	0	(16,685)
School Administration	1,591,816	0	0	(1,591,816)
Fiscal	642,186	0	0	(642,186)
Business	11,307	0	0	(11,307)
Operations and Maintenance	2,340,073	0	0	(2,340,073)
Pupil Transportation	910,694	0	23,557	(887,137)
Central	173,017	0	0	(173,017)
Operation of Non-Instructional Services	496,832	223,205	276,863	3,236
Extracurricular Activities	959,028	519,951	0	(439,077)
Interest and Fiscal Charges	2,053,534	0	0	(2,053,534)
Totals	\$25,346,709	\$1,000,097	\$1,099,727	(23,246,885)

General Revenues:	
Property Taxes Levied for:	
General Purposes	15,857,468
Debt Service Purposes	1,979,400
Grants and Entitlements, Not Restricted	5,897,434
Unrestricted Contributions	1,985
Investment Earnings	81,901
Other Revenues	68,123
Total General Revenues	23,886,311
Change in Net Position	639,426
Net Position - Beginning of Year	(16,163,445)
Net Position - End of Year	(\$15,524,019)

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
 Balance Sheet
 Governmental Funds
 June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$12,540,718	\$1,466,040	\$14,006,758
Restricted Cash and Investments	140,000	0	140,000
Receivables (Net):			
Taxes	17,611,962	2,224,355	19,836,317
Accounts	12,892	350	13,242
Interest	7,718	0	7,718
Intergovernmental	0	55,939	55,939
Prepays	4,021	23	4,044
Inventory	0	15,186	15,186
Total Assets	30,317,311	3,761,893	34,079,204
Liabilities:			
Accounts Payable	22,560	5,828	28,388
Accrued Wages and Benefits	2,253,298	12,779	2,266,077
Compensated Absences	44,354	0	44,354
Total Liabilities	2,320,212	18,607	2,338,819
Deferred Inflows of Resources:			
Property Taxes	12,126,962	1,524,355	13,651,317
Grants and Other Taxes	0	10,415	10,415
Investment Earnings	7,601	0	7,601
Total Deferred Inflows of Resources	12,134,563	1,534,770	13,669,333
Fund Balances:			
Nonspendable	4,021	23	4,044
Restricted	0	2,208,493	2,208,493
Assigned	50,977	0	50,977
Unassigned	15,807,538	0	15,807,538
Total Fund Balances	15,862,536	2,208,516	18,071,052
Total Liabilities, Deferred Inflows and Fund Balances	\$30,317,311	\$3,761,893	\$34,079,204

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2016

Total Governmental Fund Balance		\$18,071,052
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		42,725,640
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	496,733	
Interest	7,601	
Intergovernmental	10,415	
		<u>514,749</u>
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(121,192)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(328,917)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		21,437
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	3,042,664	
Deferred inflows of resources related to pensions	(2,222,757)	
		<u>819,907</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(30,366,685)	
Other Amounts	(46,860,010)	
		<u>(77,226,695)</u>
Net Position of Governmental Activities		<u><u>(\$15,524,019)</u></u>

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$15,857,468	\$1,979,400	\$17,836,868
Tuition and Fees	252,987	0	252,987
Investment Earnings	79,273	81	79,354
Intergovernmental	5,992,578	994,168	6,986,746
Extracurricular Activities	50,925	459,563	510,488
Charges for Services	0	209,420	209,420
Other Revenues	82,015	15,295	97,310
Total Revenues	22,315,246	3,657,927	25,973,173
Expenditures:			
Current:			
Instruction:			
Regular	10,451,182	12,674	10,463,856
Special	1,965,804	224,185	2,189,989
Adult	7,285	0	7,285
Other	129,873	0	129,873
Support Services:			
Pupil	1,507,025	177,453	1,684,478
Instructional Staff	814,230	26,345	840,575
General Administration	12,937	3,748	16,685
School Administration	1,574,332	0	1,574,332
Fiscal	608,608	26,951	635,559
Business	11,307	0	11,307
Operations and Maintenance	2,312,665	0	2,312,665
Pupil Transportation	876,204	0	876,204
Central	176,058	0	176,058
Operation of Non-Instructional Services	0	462,247	462,247
Extracurricular Activities	528,172	426,782	954,954
Capital Outlay	106,256	2,250	108,506
Debt Service:			
Principal Retirement	212,162	920,000	1,132,162
Interest and Fiscal Charges	101,431	1,473,019	1,574,450
Total Expenditures	21,395,531	3,755,654	25,151,185
Excess of Revenues Over (Under) Expenditures	919,715	(97,727)	821,988
Other Financing Sources (Uses):			
Refunding Bonds Issued	0	3,910,000	3,910,000
Premium on Refunding Bonds Issued	0	306,717	306,717
Payment to Refunded Bond Escrow Agent	0	(4,138,581)	(4,138,581)
Total Other Financing Sources (Uses)	0	78,136	78,136
Net Change in Fund Balance	919,715	(19,591)	900,124
Fund Balance - Beginning of Year	14,942,821	2,228,107	17,170,928
Fund Balance - End of Year	\$15,862,536	\$2,208,516	\$18,071,052

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balance - Total Governmental Funds		\$900,124
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.</p>		
Capital assets used in governmental activities	81,289	
Depreciation Expense	<u>(1,143,259)</u>	(1,061,970)
<p>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.</p>		
District pension contributions	1,756,700	
Cost of benefits earned net of employee contributions	<u>(1,478,120)</u>	278,580
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Interest	2,547	
Intergovernmental	<u>10,415</u>	12,962
<p>In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.</p>		
Premium on Bonds Issued	(306,717)	
Deferred Amount on Refunding	23,581	
Refunding Bonds	(3,910,000)	
Bonds Refunded	<u>4,115,000</u>	(78,136)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,132,162
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		7,724
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences	(65,212)	
Amortization of Bond Premium	520,727	
Amortization of Deferred Charge on Refunding	(1,006,721)	
Amortization of Bond Discount	<u>(814)</u>	(552,020)
Change in Net Position of Governmental Activities		<u>\$639,426</u>

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$17,114,721	\$17,114,721	\$17,642,468	\$527,747
Tuition and Fees	45,406	45,406	46,806	1,400
Investment Earnings	49,956	49,956	51,496	1,540
Intergovernmental	5,812,396	5,812,396	5,991,626	179,230
Extracurricular Activities	49,363	49,363	50,885	1,522
Other Revenues	77,946	77,946	80,350	2,404
Total Revenues	<u>23,149,788</u>	<u>23,149,788</u>	<u>23,863,631</u>	<u>713,843</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,729,495	10,729,495	10,342,521	386,974
Special	2,000,802	2,000,802	1,928,640	72,162
Other	134,732	134,732	129,873	4,859
Support Services:				
Pupil	1,537,270	1,537,270	1,481,826	55,444
Instructional Staff	867,337	867,337	836,055	31,282
General Administration	13,421	13,421	12,937	484
School Administration	1,607,324	1,607,324	1,549,354	57,970
Fiscal	620,515	620,515	598,135	22,380
Business	11,730	11,730	11,307	423
Operations and Maintenance	2,415,767	2,415,767	2,328,639	87,128
Pupil Transportation	908,988	908,988	876,204	32,784
Central	182,267	182,267	175,693	6,574
Extracurricular Activities	554,419	554,419	534,423	19,996
Capital Outlay	118,453	118,453	114,181	4,272
Debt Service:				
Principal Retirement	222,165	222,165	214,152	8,013
Interest and Fiscal Charges	103,162	103,162	99,441	3,721
Total Expenditures	<u>22,027,847</u>	<u>22,027,847</u>	<u>21,233,381</u>	<u>794,466</u>
Excess of Revenues Over (Under) Expenditures	<u>1,121,941</u>	<u>1,121,941</u>	<u>2,630,250</u>	<u>1,508,309</u>
Other Financing Sources (Uses):				
Transfers In	38,803	38,803	40,000	1,197
Transfers (Out)	(41,497)	(41,497)	(40,000)	1,497
Total Other Financing Sources (Uses)	<u>(2,694)</u>	<u>(2,694)</u>	<u>0</u>	<u>2,694</u>
Net Change in Fund Balance	1,119,247	1,119,247	2,630,250	1,511,003
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>9,712,062</u>	<u>9,712,062</u>	<u>9,712,062</u>	<u>0</u>
Fund Balance - End of Year	<u>\$10,831,309</u>	<u>\$10,831,309</u>	<u>\$12,342,312</u>	<u>\$1,511,003</u>

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$85,490</u>	<u>\$52,033</u>
Total Assets	<u>85,490</u>	<u>52,033</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>52,033</u>
Total Liabilities	<u>0</u>	<u>\$52,033</u>
Net Position:		
Held in Trust	<u>85,490</u>	
Total Net Position	<u>\$85,490</u>	

See accompanying notes to the basic financial statements.

Mariemont City School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions:	
Investment Earnings	\$469
Total Additions	469
Deductions:	
Other	250
Total Deductions	250
Change in Net Position	219
Net Position - Beginning of Year	85,271
Net Position - End of Year	\$85,490

See accompanying notes to the basic financial statements.

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 – Description of the District

The District was chartered by the Ohio State Legislature. In 1853 state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 60 non-certificated personnel and 130 certificated full time teaching and administrative personnel to provide services to students and other community members. The District is the 15th largest in Hamilton County (among 22 Districts) in terms of enrollment. It currently operates 2 elementary schools, 1 junior high school (grades 7-8), and 1 high school (grades 9-12).

Reporting Entity

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, preschool and student related activities of the District.

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

The District is associated with three organizations that are defined as jointly governed organizations. These organizations are H/CCA, Great Oaks Institute of Technology and Career Development and Greater Cincinnati Insurance Consortium and are presented in Note 15 to the Purpose Financial Statements.

Note 2 – Summary of Significant Accounting Policies

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

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Governmental Funds

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

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

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

Fiduciary Funds

Fiduciary Funds report on net position and changes in net position. The District's fiduciary funds consist of a private-purpose trust fund and agency funds. The District's private-purpose trust fund accounts for scholarship programs for students from the Fairfax attendance area. These assets are not available for the District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District accounts for student activities in its agency funds.

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.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consist of taxes, grants, and pension which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes, grants, and pension not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Expenses/Expenditures

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

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

Budgetary Data

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the budget, which includes amendments, for the General Fund by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.

Prior to April 1, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amount set forth in the final Amended Certificate.

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, level of expenditures, which are the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2016 and none were significant. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

Encumbrance accounting is utilized by District Funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, level. Governmental

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

fund type encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP basis, and for all budgeted funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary basis and GAAP basis of accounting.

Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District’s records. Each fund’s interest in the pool is presented as “equity in pooled cash and investments” on the financial statements. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2016, \$79,273 was credited to the general fund, and \$81 was credited to other governmental funds.

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. (If a quoted market price is not available, the methods and significant assumptions used to estimate the fair value of investments must be disclosed.) Non-participating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during fiscal year 2016. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2016.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve as required by State statute.

	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Cash Balance as of June 30, 2015	\$0	\$140,000
Current Year Set-Aside Requirements	299,277	0
Qualified Disbursements	(972,569)	0
Current year Offsets	<u>0</u>	<u>0</u>
Set Aside Reserve Balance as of June 30, 2016	<u>(\$673,292)</u>	<u>\$140,000</u>
Set-Aside Cash as of June 30, 2016	<u>\$0</u>	<u>\$140,000</u>

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Inventory

Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements but are not reported in the governmental fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-50 years
Furniture and Equipment	5-15 years
Vehicles	8-10 years

Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	25 days	10-20 days for each service year, depending on length of service

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Maximum Accumulation	Not Applicable	25 days	20 days
Vested	Not Applicable	25 days	20 days
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u> How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230 days	Contract days	230 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per contract	Per contract	Per contract

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

Accrued Liabilities And Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions 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 fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Net Position

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

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

Estimates

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

Unamortized Bond Issuance Costs/Bond Premium And Discount

On government-wide financial statements, bond issuance costs are recognized in the current period.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental financial statements, issuance costs and bond premiums are recognized in the current period.

Fund Balance

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

Nonspendable – the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

Note 3 – Fund Balance/Net Position Deficit

The District had no deficit fund balances during the 2016 fiscal year.

Note 4 - Equity in Pooled Cash and Investments

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

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

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

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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investment pool (STAR Ohio);
- (7) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures"

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end, \$8,968,565 of the District's bank balance of \$11,941,451 was exposed to custodial credit risk since 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.

Investments

As of June 30, 2016, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CD's	\$2,115,753	0.28
U.S. Money Market Funds	330,701	
	<u>\$2,446,454</u>	
Portfolio Weighted Average Maturity		0.23

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2016. As discussed further in Note 2, STAROhio is reported at its share price. All other investments of the District are valued using quoted market prices.

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The District's investments in the U.S. Money Market Funds and Negotiable CD's were rated AAA by Standard & Poor's.

Concentration of Credit Risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District is required to disclose the amount of investments with any one issuer that represent five percent or more of total investments. Of the District's total investments, 86% is in Negotiable CD's and 14% is in Money Market Funds.

Custodial credit risk is the risk that in the event of a failure of a counter party, 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. The District's investment securities are registered in the name of the District.

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at twenty-five percent of true value (as defined). In 2015, each business was eligible to receive a \$10,000 exemption in assessed value, which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2016, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes that are measurable at June 30, 2016. Property tax advances available at year end and delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2016. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable, they are intended to finance the next fiscal year's operations.

Property taxes include amounts levied against real, public utility and tangible personal (business) property.

The assessed value, by property classification, upon which taxes collected in 2016 were based are as follows:

	<u>Amount</u>
Tangible Personal Property	\$11,389,760
Real Property	<u>349,311,210</u>
Total	<u><u>\$360,700,970</u></u>

Note 6 – Receivables

Receivables at June 30, 2016 consisted of taxes, accounts receivable, accrued interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose of the nonpayment of taxes, the stable condition of State Programs, and the current year guarantee of Federal Funds.

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 7 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,110,469	\$0	\$0	\$1,110,469
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	50,704,980	19,910	0	50,724,890
Furniture and Equipment	1,526,065	61,379	0	1,587,444
Vehicles	31,500	0	0	31,500
Totals at Historical Cost	<u>53,373,014</u>	<u>81,289</u>	<u>0</u>	<u>53,454,303</u>
Less Accumulated Depreciation:				
Buildings and Improvements	9,223,118	1,045,198	0	10,268,316
Furniture and Equipment	330,786	98,061	0	428,847
Vehicles	31,500	0	0	31,500
Total Accumulated Depreciation	<u>9,585,404</u>	<u>1,143,259</u>	<u>0</u>	<u>10,728,663</u>
Governmental Activities Capital Assets, Net	<u>\$43,787,610</u>	<u>(\$1,061,970)</u>	<u>\$0</u>	<u>\$42,725,640</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$942,793
Special	33,463
Support Services:	
School Administration	55,395
Operations and Maintenance	29,519
Pupil Transportation	34,492
Operation of Non-Instructional Services	35,055
Extracurricular Activities	12,542
Total Depreciation Expense	<u>\$1,143,259</u>

Note 8 – Capitalized Leases - Lessee

In prior years, the District has entered into capitalized leases for the acquisition of phone, office, musical and energy conservation equipment and building improvements. The terms of each equipment lease agreement provide options to purchase the equipment. The cost of equipment under capital lease at June 30, 2016 is \$985,668. The cost of building improvements under capital lease at June 30, 2016 is \$1,078,600. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

that transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the governmental funds.

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

Fiscal Year Ending June 30	Amount
2017	\$175,387
2018	175,578
2019	176,282
2020	175,656
2021	175,348
2022-2025	449,620
Total Minimum Lease Payments	1,327,871
Less: Amounts representing interest	216,834
Present Value of Minimum Lease Payments	<u>\$1,111,037</u>

Note 9 - Long-Term Liabilities

In 2012, the District issued \$1,995,000 of certificates of participation. The purpose of the certificates was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

In 2011, the District issued \$39,800,000 of general obligation bonds. The purpose of the bonds was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

In 2005, the District issued \$5,124,989 in general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of providing resources for all future debt service payments of \$4,382,067 of general obligations bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

The following changes occurred in long-term liabilities during the year ended June 30, 2016:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Maturity Date	Interest Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:							
General Obligation Bonds:							
Certificate of Participation - 2012	12/1/30	2.0-3.5%	\$1,715,000	\$0	(\$90,000)	\$1,625,000	\$90,000
Permanent Improvement Bonds - 2010 - BABs	12/1/47	5.9-6.55%	28,115,000	0	(120,000)	27,995,000	95,000
Permanent Improvement Bonds - 2010 - QSCB	12/1/47	5.9-6.55%	10,805,000	0	(360,000)	10,445,000	410,000
Permanent Improvement Bonds - 2005	12/1/25	5.69%	5,435,000	0	(4,555,000)	880,000	440,000
Refunding Bonds - 2015	12/1/25	2.0-4.0%	0	3,910,000	0	3,910,000	50,000
Premium on Bonds - Series 2010			646,150	0	(19,580)	626,570	0
Premium on Bonds - Series 2005			473,264	0	(473,264)	0	0
Premium on Refunding Bonds - Series 2015			0	306,717	(27,883)	278,834	0
Discount on Issuance - COP 2012			(12,245)	0	814	(11,431)	0
Total General Obligation Bonds			47,177,169	4,216,717	(5,644,913)	45,748,973	1,085,000
Net Pension Liability:							
STRS			22,314,922	4,358,957	(1,548,895)	25,124,984	0
SERS			4,662,951	956,239	(377,489)	5,241,701	0
Total Net Pension Liability			26,977,873	5,315,196	(1,926,384)	30,366,685	0
Capital Lease Payable:							
OASBO Pool			598,500	0	(50,000)	548,500	52,000
School Project			634,699	0	(72,162)	562,537	75,512
Total Long Term Debt			75,388,241	9,531,913	(7,693,459)	77,226,695	1,212,512
Compensated Absences			394,126	132,489	(153,344)	373,271	67,803
Total Governmental Activities			\$75,782,367	\$9,664,402	(\$7,846,803)	\$77,599,966	\$1,280,315

Bonds will be paid from the Bond Retirement fund and capital leases and certificates of participation will be paid from the General Fund.

The following is a summary of the District's future annual debt service requirements to maturity for general obligation certificates/bonds:

Fiscal Year	General Obligation Bonds		
	Ending June 30	Principal	Interest
2017	\$1,085,000	\$1,411,108	
2018	1,120,000	1,405,233	
2019	1,300,000	1,394,330	
2020	1,345,000	1,378,952	
2021	1,390,000	1,364,748	
2022-2026	9,055,000	6,515,732	
2027-2031	6,320,000	5,702,556	
2032-2036	6,560,000	4,490,773	
2037-2041	5,925,000	3,054,075	
2042-2046	7,310,000	1,667,778	
2047-2048	3,445,000	157,053	
Total	\$44,855,000	\$28,542,338	

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 10 – Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2016 are a voted debt margin of \$32,463,087 and an unvoted debt margin of \$360,701.

Note 11 – Current Refunding

On December 17, 2015 the District issued \$3,910,000 in Current Interest Bonds with an interest rate between 2.00% and 4.00% which was used to current refund \$4,115,000 of the outstanding 2005 Permanent Improvement Bonds with an interest rate of 5.69%. The net proceeds of \$4,216,717 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues. As a result, \$4,115,000 of the 2005 Permanent Improvement Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

The District current refunded 2005 Permanent Improvement Bonds to reduce its total debt service payments by \$648,446 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$574,690.

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

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 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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service, and 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$400,968 for fiscal year 2016. Of this amount \$63,030 is reported as accrued wages and benefits.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$1,360,500 for fiscal year 2016. Of this amount \$232,804 is reported as accrued wages and benefits.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,241,701	\$25,124,984	\$30,366,685
Proportion of the Net Pension Liability	0.09186140%	0.09091043%	
Pension Expense	330,525	1,142,510	1,473,035

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

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$84,519	\$1,147,330	\$1,231,849
Changes in employer proportion and differences between contributions and proportionate share of contributions	77,456	(23,341)	54,115
District contributions subsequent to the measurement date	<u>396,200</u>	<u>1,360,500</u>	<u>1,756,700</u>
Total Deferred Outflows of Resources	<u>\$558,175</u>	<u>\$2,484,489</u>	<u>\$3,042,664</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$175,929	\$1,844,398	\$2,020,327
Changes in employer proportion and differences between contributions and proportionate share of contributions	(2,256)	(37,437)	(39,693)
Changes in employer proportionate share of net pension liability	<u>14,408</u>	<u>227,715</u>	<u>242,123</u>
Total Deferred Inflows of Resources	<u>\$188,081</u>	<u>\$2,034,676</u>	<u>\$2,222,757</u>

\$1,756,700 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$67,665)	(\$467,172)	(\$534,837)
2018	(67,665)	(467,172)	(534,837)
2019	(68,068)	(467,170)	(535,238)
2020	<u>99,835</u>	<u>514,168</u>	<u>614,003</u>
Total	<u>(\$103,563)</u>	<u>(\$887,346)</u>	<u>(\$990,909)</u>

Actuarial Assumptions - SERS

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

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

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

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

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

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$7,268,355	\$5,241,701	\$3,535,091

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$34,900,498	\$25,124,984	\$16,858,329

Note 13 - Post Employment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0.00 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$45,079.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$73,125, and \$46,809, respectively. For fiscal year 2015, 98 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2016 and 2014.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$94,096, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

Note 14 – Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

	<u>General Fund</u>
GAAP Basis	\$919,715
Revenue Accruals	1,545,965
Expenditure Accruals	235,688
Transfer In	40,000
Transfer Out	(40,000)
Encumbrances	(73,538)
Funds Budgeted Elsewhere	2,420
Budget Basis	<u><u>\$2,630,250</u></u>

As part of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These funds include the Adult Education Fund and the Uniform School Supplies Fund.

Note 15 - Contingent Liabilities

School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Grants

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

Litigation

Currently, no litigation is pending against the District.

Note 16 - Jointly Governed Organizations

HAMILTON/CLERMONT COOPERATIVE INFORMATION TECHNOLOGY CENTER

The Hamilton/Clermont Cooperative Information Technology Center (H/CC) formerly known as H/CCA is a governmental jointly governed organization among two county consortium of school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports H/CC based upon a per pupil charge dependent upon the software package utilized. H/CC is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

GREAT OAKS CAREER CAMPUSES

The Great Oaks Career Campuses (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has no ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

GREATER CINCINNATI INSURANCE CONSORTIUM

For coverage related to certain benefits the District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of twelve Hamilton County School Districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one representative selected from each participating member. Each member pays an administrative fee to the pool. Anthem Blue Cross Blue Shield provides claim review and processing.

Note 17 - Risk Management

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Payments have not exceeded this coverage in any of the past three years. There has been no significant decline in coverage from the prior year.

Note 18 – Fund Balances

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

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Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Balances	General	Other Governmental Funds	Total
Nonspendable on:			
Prepays	\$4,021	\$23	\$4,044
Total Nonspendable	4,021	23	4,044
Restricted for:			
Art Connection Grant	0	6,506	6,506
Instructional Music	0	127,766	127,766
Career Development	0	53,309	53,309
Title III	0	1,195	1,195
Title VI-B	0	11,131	11,131
Title I	0	34,393	34,393
Title II-A	0	2,373	2,373
Food Service	0	38,114	38,114
Vending Machine	0	113,433	113,433
Bond Retirement	0	1,620,795	1,620,795
Permanent Improvement	0	199,478	199,478
Total Restricted	0	2,208,493	2,208,493
Assigned to:			
Encumbrances	50,977	0	50,977
Total Assigned	50,977	0	50,977
Unassigned (Deficit)	15,807,538	0	15,807,538
Total Fund Balance	<u>\$15,862,536</u>	<u>\$2,208,516</u>	<u>\$18,071,052</u>

Note 19 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

Mariemont City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

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REQUIRED SUPPLEMENTARY INFORMATION

Mariemont City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.09091043%	0.09174238%	0.09174238%
District's Proportionate Share of the Net Pension Liability	\$25,124,984	\$22,314,922	\$26,509,803
District's Covered-Employee Payroll	\$9,409,714	\$10,094,577	\$10,380,831
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	267.01%	221.06%	255.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

Mariemont City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.091861%	0.092136%	0.092136%
District's Proportionate Share of the Net Pension Liability	\$5,241,701	\$4,662,951	\$5,480,674
District's Covered-Employee Payroll	\$3,534,090	\$2,704,329	\$3,118,439
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	148.32%	172.43%	175.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

Mariemont City School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$1,360,500	\$1,317,360	\$1,312,295	\$1,349,508	\$1,383,048	\$1,430,364	\$1,435,236	\$1,396,656	\$1,323,072	\$1,255,416
Contributions in Relation to the Contractually Required Contribution	(1,360,500)	(1,317,360)	(1,312,295)	(1,349,508)	(1,383,048)	(1,430,364)	(1,435,236)	(1,396,656)	(1,323,072)	(1,255,416)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$9,717,857	\$9,409,714	\$10,094,577	\$10,380,831	\$10,638,831	\$11,002,800	\$11,040,277	\$10,743,508	\$10,177,477	\$9,657,046
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Mariemont City School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$396,200	\$465,793	\$374,820	\$431,592	\$413,160	\$406,248	\$326,316	\$366,984	\$348,012	\$341,376
Contributions in Relation to the Contractually Required Contribution	<u>(396,200)</u>	<u>(465,793)</u>	<u>(374,820)</u>	<u>(431,592)</u>	<u>(413,160)</u>	<u>(406,248)</u>	<u>(326,316)</u>	<u>(366,984)</u>	<u>(348,012)</u>	<u>(341,376)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,830,000	\$3,534,090	\$2,704,329	\$3,118,439	\$3,071,822	\$3,231,885	\$2,410,015	\$3,729,512	\$3,543,910	\$3,226,616
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.58%



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*

Mariemont City School District
Hamilton County
2 Warrior Way
Cincinnati, Ohio 45227

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mariemont City School District, Hamilton County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 5, 2017.

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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 5, 2017



Dave Yost • Auditor of State

MARIEMONT CITY SCHOOL 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
APRIL 18, 2017**