



Dave Yost • Auditor of State

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY

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MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milford Exempted Village School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2017, 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 Districts 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milford Exempted Village School District, Clermont County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2018

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**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

The discussion and analysis of Milford Exempted Village School District's ("District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of governmental activities increased \$3,521,563 which represents a 20% increase from 2016.
- General revenues accounted for \$71,730,648 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,792,618 or 15% of total revenues of \$84,523,266.
- Business-type operations reflected an operating loss of \$229,723.
- The District had \$81,001,703 in expenses related to governmental activities; \$12,792,618 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$71,730,648 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2017?" The Government-wide Financial Statements answers this question. These statements include *all assets and deferred outflows*, and *liabilities and deferred inflows* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

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

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

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

Fund Financial Statements

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

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

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

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

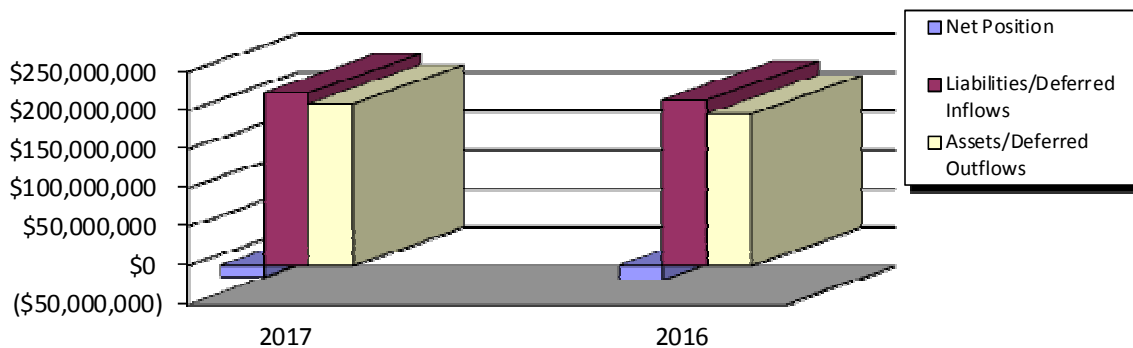
**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2017 compared to 2016:

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and Other Assets	\$86,939,092	\$90,312,597	\$1,744,116	\$947,670	\$88,683,208	\$91,260,267
Capital Assets	94,594,444	93,144,262	0	0	94,594,444	93,144,262
Total Assets	181,533,536	183,456,859	1,744,116	947,670	183,277,652	184,404,529
Deferred Outflows of Resources:						
Deferred Charge on Refunding Pension	2,373,944	2,555,809	0	0	2,373,944	2,555,809
	23,060,549	8,589,384	282,096	159,339	23,342,645	8,748,723
Total Deferred Outflows of Resources	25,434,493	11,145,193	282,096	159,339	25,716,589	11,304,532
Liabilities:						
Other Liabilities	7,160,877	9,898,051	95,393	82,166	7,256,270	9,980,217
Long-Term Liabilities	179,115,116	161,543,444	1,258,935	995,022	180,374,051	162,538,466
Total Liabilities	186,275,993	171,441,495	1,354,328	1,077,188	187,630,321	172,518,683
Deferred Inflows of Resources:						
Property Taxes	31,219,154	35,476,890	0	0	31,219,154	35,476,890
Grants and Other Taxes	2,500,000	2,433,861	0	0	2,500,000	2,433,861
Deferred Gain on Refunding Pension	1,127,576	0	0	0	1,127,576	0
	150,269	3,076,332	7,969	116,684	158,238	3,193,016
Total Deferred Inflows of Resources	34,996,999	40,987,083	7,969	116,684	35,004,968	41,103,767
Net Position:						
Net Investment in Capital Assets	31,337,901	29,257,765	0	0	31,337,901	29,257,765
Restricted	7,479,344	10,323,462	0	0	7,479,344	10,323,462
Unrestricted	(53,122,208)	(57,407,753)	663,915	(86,863)	(52,458,293)	(57,494,616)
Total Net Position	(\$14,304,963)	(\$17,826,526)	\$663,915	(\$86,863)	(\$13,641,048)	(\$17,913,389)



**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows were less than liabilities and deferred inflows by \$14,304,963.

At year-end, capital assets represented 52% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2017, were \$31,337,901. 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, \$7,479,344 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets decreased from the prior year mainly due to a decrease in taxes receivable. Capital assets increased in 2017 as compared to 2016 mainly due to acquisitions in 2017. Total 2017 liabilities increased due to an increase in the net pension liability.

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**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charge for Services	\$5,631,106	\$4,759,287	\$1,504,789	\$1,153,330	\$7,135,895	\$5,912,617
Operating Grants, Contributions	7,161,512	7,325,774	980,501	547,357	8,142,013	7,873,131
General Revenues:						
Property Taxes	41,824,970	39,627,925	0	0	41,824,970	39,627,925
Grant and Entitlements	26,014,593	24,526,201	0	0	26,014,593	24,526,201
Investment Earnings	96,895	287,598	0	0	96,895	287,598
Other	3,794,190	3,414,979	0	300	3,794,190	3,415,279
Total Revenues	84,523,266	79,941,764	2,485,290	1,700,987	87,008,556	81,642,751
Program Expenses:						
Instruction	49,712,444	44,453,976	0	0	49,712,444	44,453,976
Support Services:						
Pupil and Instructional Staff	4,734,857	4,247,643	0	0	4,734,857	4,247,643
School Administrative, General						
Administration, Fiscal and Business	6,216,109	5,779,793	0	0	6,216,109	5,779,793
Operations and Maintenance	5,631,310	5,030,414	0	0	5,631,310	5,030,414
Pupil Transportation	5,572,550	5,279,012	0	0	5,572,550	5,279,012
Central	1,455,985	1,405,324	0	0	1,455,985	1,405,324
Operation of Non-Instructional Services	4,249,039	3,822,749	0	0	4,249,039	3,822,749
Extracurricular Activities	1,603,143	1,248,104	0	0	1,603,143	1,248,104
Intergovernmental	0	0	0	0	0	0
Interest and Fiscal Charges	1,826,266	4,323,518	0	0	1,826,266	4,323,518
Food Services	0	0	1,734,512	1,406,163	1,734,512	1,406,163
Total Program Expenses	81,001,703	75,590,533	1,734,512	1,406,163	82,736,215	76,996,696
Change in Net Position	3,521,563	4,351,231	750,778	294,824	4,272,341	4,646,055
Net Position - Beginning of Year	(17,826,526)	(22,177,757)	(86,863)	(381,687)	(17,913,389)	(22,559,444)
Net Position - End of Year	(\$14,304,963)	(\$17,826,526)	\$663,915	(\$86,863)	(\$13,641,048)	(\$17,913,389)

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

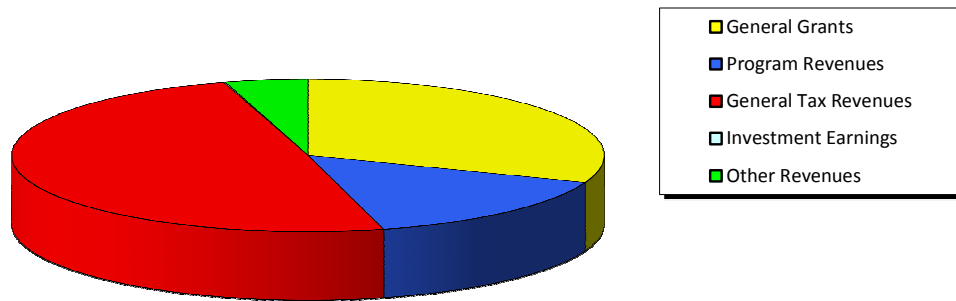
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 50% of revenue for governmental activities for the District in fiscal year 2017.

**Milford Exempted Village School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

**Governmental Activities
Revenue Sources**

Revenue Sources	2017	Percentage
General Grants	\$26,014,593	30.80%
Program Revenues	12,792,618	15.10%
General Tax Revenues	41,824,970	49.50%
Investment Earnings	96,895	0.10%
Other Revenues	3,794,190	4.50%
Total Revenue Sources	<u>\$84,523,266</u>	<u>100.00%</u>



Instruction comprises 61% of governmental program expenses. Support services expenses were 29% of governmental program expenses. All other expenses including interest and fiscal charges were 10% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues increased mainly due to an increase in charges for services and sales and property tax revenue because of more advances available from the county auditor as year end. Total expenses increased primarily due to an increase in instruction expenses because of an increase in students.

Governmental Activities

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

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**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$49,712,444	\$44,453,976	(\$41,496,586)	(\$36,780,573)
Support Services:				
Pupil and Instructional Staff	4,734,857	4,247,643	(3,940,912)	(3,423,842)
School Administrative, General				
Administration, Fiscal and Business	6,216,109	5,779,793	(6,139,977)	(5,713,901)
Operations and Maintenance	5,631,310	5,030,414	(5,254,311)	(4,698,688)
Pupil Transportation	5,572,550	5,279,012	(5,320,501)	(5,012,049)
Central	1,455,985	1,405,324	(1,441,585)	(1,390,924)
Operation of Non-Instructional Services	4,249,039	3,822,749	(1,633,825)	(1,326,865)
Extracurricular Activities	1,603,143	1,248,104	(1,155,122)	(835,112)
Intergovernmental	0	0	0	0
Interest and Fiscal Charges	1,826,266	4,323,518	(1,826,266)	(4,323,518)
Total Expenses	<u>\$81,001,703</u>	<u>\$75,590,533</u>	<u>(\$68,209,085)</u>	<u>(\$63,505,472)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the General Fund comprised \$74,904,548 (85%) of the total \$87,960,777 governmental funds assets.

General Fund: Fund balance at June 30, 2017 was \$38,345,249, an increase in fund balance of \$6,937,396 from 2016. The increase in fund balance was mainly due to an increase in property tax revenue.

General Fund Budgeting Highlights

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

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

For the General Fund, original estimated revenue was \$68,663,489. The final estimated revenue was \$69,415,176.

The District's ending unobligated cash balance was \$32,895,010.

**Milford Exempted Village School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had \$94,594,444 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2017 balances compared to fiscal 2016:

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

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$4,929,449	\$4,944,233
Construction in Progress	28,441,490	25,693,315
Buildings and Improvements	60,036,639	61,771,166
Equipment	1,186,866	735,548
Total Net Capital Assets	<u>\$94,594,444</u>	<u>\$93,144,262</u>

The increase in capital assets is due to additions exceeding depreciation and disposals in 2017.

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

Debt

At June 30, 2017, the District had \$65,662,585 in bonds payable, \$1,898,000 due within one year. Table 5 summarizes outstanding debt at year end.

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**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2017	2016
Bonds Payable:		
Refunded General Obligation Bonds: Capital Appreciation - Principal	\$0	\$195,000
Refunded General Obligation Bonds: Capital Appreciation - Interest	0	2,269,260
Refunded General Obligation Bonds - 2007	10,325,000	22,515,000
Long Term Notes	1,508,000	1,580,000
2008 School Improvement Bonds: Current Interest	315,000	625,000
2008 School Improvement Bonds: Capital Appreciation - Principal	285,000	285,000
2008 School Improvement Bonds: Capital Appreciation - Interest	992,177	791,175
2015 Refunding of Series 2006	6,010,000	6,030,000
2015 Refunding of Series 2008: Current Interest	28,245,000	28,315,000
2015 Refunding of Series 2008: Capital Appreciation - Principal	435,000	435,000
2015 Refunding of Series 2008: Capital Appreciation - Interest	167,497	83,894
Premium on Bonds	4,736,733	6,462,306
2017 Refunding of Series 2007	10,960,000	0
Premium on 2017 Refunding Bonds	1,683,178	0
Total Long Term Debt	<u>\$65,662,585</u>	<u>\$69,586,635</u>

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

For the Future

A challenge facing the District is the future of state funds. In June, 2011, Ohio's Governor signed HB153, the state biennium budget bill for 2012 and 2013. Language included in HB153 eliminated the OEBM funding model. In June 2013, Ohio's Governor signed HB59, the state biennium budget bill for 2014 and 2015. A new funding model was introduced. June 2015, Ohio's Governor signed HB64 revising HB59 and altering the funding formula for 2016 and 2017. Simulations received from the state indicate the District will continue to be guaranteed funding amounts that were received in the previous biennium with a slight increase in funding. Milford will continue to be capped on the funding formula for FY 18 and FY 19. We will receive \$600,000 additional state funds in FY18 and an additional \$600,000 in FY 19 moving us closer to the state funding formula; however, we will be taking a reduction in our state transportation funding for nearly \$250,000 each of those same fiscal years.

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

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

**Milford Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Milford Exempted Village School District, 777 Garfield Avenue, Milford, Ohio 45150.

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Milford Exempted Village School District
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$41,049,978	\$1,700,679	\$42,750,657
Restricted Cash and Investments	10,051	0	10,051
Receivables (Net):			
Taxes	42,366,646	0	42,366,646
Accounts	10,071	0	10,071
Interest	93,284	0	93,284
Intergovernmental	3,309,431	0	3,309,431
Inventory	99,631	43,437	143,068
Nondepreciable Capital Assets	33,370,939	0	33,370,939
Depreciable Capital Assets, Net	61,223,505	0	61,223,505
Total Assets	181,533,536	1,744,116	183,277,652
Deferred Outflows of Resources:			
Deferred Charge on Refunding	2,373,944	0	2,373,944
Pension	23,060,549	282,096	23,342,645
Total Deferred Outflows of Resources	25,434,493	282,096	25,716,589
Liabilities:			
Accounts Payable	322,505	18,443	340,948
Accrued Wages and Benefits	6,557,500	76,950	6,634,450
Contracts Payable	35,721	0	35,721
Accrued Interest Payable	229,624	0	229,624
Claims Payable	15,527	0	15,527
Long-Term Liabilities:			
Due Within One Year	2,580,822	0	2,580,822
Due In More Than One Year			
Net Pension Liability	111,427,386	1,258,935	112,686,321
Other Amounts	65,106,908	0	65,106,908
Total Liabilities	186,275,993	1,354,328	187,630,321
Deferred Inflows of Resources:			
Property Taxes	31,219,154	0	31,219,154
Grants and Other Taxes	2,500,000	0	2,500,000
Deferred Gain on Refunding	1,127,576	0	1,127,576
Pension	150,269	7,969	158,238
Total Deferred Inflows of Resources	34,996,999	7,969	35,004,968
Net Position:			
Net Investment in Capital Assets	31,337,901	0	31,337,901
Restricted for:			
Debt Service	3,045,046	0	3,045,046
Capital Projects	2,544,585	0	2,544,585
Classroom Facilities Maintenance	958,075	0	958,075
Athletic	212,806	0	212,806
Title VI-B	175,655	0	175,655
Title I	187,853	0	187,853
State Grants	94,191	0	94,191
Federal Grants	11,623	0	11,623
Permanent Endowment Nonexpendable	12,072	0	12,072
Permanent Endowment Expendable	143,248	0	143,248
Other Purposes	94,190	0	94,190
Unrestricted	(53,122,208)	663,915	(52,458,293)
Total Net Position	(\$14,304,963)	\$663,915	(\$13,641,048)

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$36,603,139	\$3,631,701	\$625,117	(\$32,346,321)	\$0	(\$32,346,321)
Special	11,942,835	221,061	2,718,445	(9,003,329)	0	(9,003,329)
Vocational	782,929	0	7,333	(775,596)	0	(775,596)
Other	383,541	3,208	1,008,993	628,660	0	628,660
Support Services:						
Pupil	3,255,758	0	755,191	(2,500,567)	0	(2,500,567)
Instructional Staff	1,479,099	0	38,754	(1,440,345)	0	(1,440,345)
General Administration	169,509	0	73,959	(95,550)	0	(95,550)
School Administration	3,807,470	0	0	(3,807,470)	0	(3,807,470)
Fiscal	1,754,770	0	2,173	(1,752,597)	0	(1,752,597)
Business	484,360	0	0	(484,360)	0	(484,360)
Operations and Maintenance	5,631,310	275,015	101,984	(5,254,311)	0	(5,254,311)
Pupil Transportation	5,572,550	0	252,049	(5,320,501)	0	(5,320,501)
Central	1,455,985	0	14,400	(1,441,585)	0	(1,441,585)
Operation of Non-Instructional Services	4,249,039	1,052,100	1,563,114	(1,633,825)	0	(1,633,825)
Extracurricular Activities	1,603,143	448,021	0	(1,155,122)	0	(1,155,122)
Interest and Fiscal Charges	1,826,266	0	0	(1,826,266)	0	(1,826,266)
Total Governmental Activities	81,001,703	5,631,106	7,161,512	(68,209,085)	0	(68,209,085)
Business-Type Activities:						
Food Service	1,734,512	1,504,789	980,501	0	750,778	750,778
Total Business-Type Activities	1,734,512	1,504,789	980,501	0	750,778	750,778
Totals	\$82,736,215	\$7,135,895	\$8,142,013	(68,209,085)	750,778	(67,458,307)
General Revenues:						
Property Taxes Levied for:						
General Purposes				37,925,734	0	37,925,734
Special Revenue Purposes				313,697	0	313,697
Debt Service Purposes				3,585,539	0	3,585,539
Grants and Entitlements, Not Restricted				26,014,593	0	26,014,593
Revenue in Lieu of Taxes				2,884,978	0	2,884,978
Unrestricted Contributions				45,286	0	45,286
Investment Earnings				96,895	0	96,895
Other Revenues				863,926	0	863,926
Total General Revenues				71,730,648	0	71,730,648
Change in Net Position				3,521,563	750,778	4,272,341
Net Position - Beginning of Year				(17,826,526)	(86,863)	(17,913,389)
Net Position - End of Year				(\$14,304,963)	\$663,915	(\$13,641,048)

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Balance Sheet
Governmental Funds
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$33,476,743	\$7,573,235	\$41,049,978
Restricted Cash and Investments	0	10,051	10,051
Receivables (Net):			
Taxes	37,741,056	4,625,590	42,366,646
Accounts	4,543	5,528	10,071
Interest	92,231	1,053	93,284
Intergovernmental	2,500,000	809,431	3,309,431
Interfund	1,021,685	0	1,021,685
Inventory	68,290	31,341	99,631
Total Assets	74,904,548	13,056,229	87,960,777
Liabilities:			
Accounts Payable	173,270	149,235	322,505
Accrued Wages and Benefits	6,027,524	529,976	6,557,500
Compensated Absences	468,997	34,681	503,678
Contracts Payable	0	35,721	35,721
Interfund Payable	0	1,021,685	1,021,685
Total Liabilities	6,669,791	1,771,298	8,441,089
Deferred Inflows of Resources:			
Property Taxes	27,310,862	4,097,241	31,408,103
Grants and Other Taxes	2,500,000	441,473	2,941,473
Investment Earnings	78,646	899	79,545
Total Deferred Inflows of Resources	29,889,508	4,539,613	34,429,121
Fund Balances:			
Nonspendable	68,290	12,072	80,362
Restricted	0	7,165,938	7,165,938
Committed	0	591,729	591,729
Assigned	628,772	143,248	772,020
Unassigned	37,648,187	(1,167,669)	36,480,518
Total Fund Balances	38,345,249	6,745,318	45,090,567
Total Liabilities, Deferred Inflows and Fund Balances	\$74,904,548	\$13,056,229	\$87,960,777

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balance		\$45,090,567
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		94,594,444
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	188,949	
Interest	79,545	
Intergovernmental	<u>441,473</u>	
		709,967
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
Internal Service Net Position		(15,527)
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.		
		(229,624)
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		(1,521,467)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
Deferred charge on refunding	2,373,944	
Deferred gain on refunding	<u>(1,127,576)</u>	
		1,246,368
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	23,060,549	
Deferred inflows of resources related to pensions	<u>(150,269)</u>	
		22,910,280
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(111,427,386)	
Other Amounts	<u>(65,662,585)</u>	
		<u>(177,089,971)</u>
Net Position of Governmental Activities		<u>(\$14,304,963)</u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$38,004,806	\$3,906,918	\$41,911,724
Tuition and Fees	3,852,762	0	3,852,762
Investment Earnings	119,847	983	120,830
Intergovernmental	28,722,554	4,338,804	33,061,358
Extracurricular Activities	150,577	297,444	448,021
Charges for Services	3,208	1,099,597	1,102,805
Revenue in Lieu of Taxes	2,500,000	0	2,500,000
Other Revenues	699,242	544,508	1,243,750
Total Revenues	74,052,996	10,188,254	84,241,250
Expenditures:			
Current:			
Instruction:			
Regular	32,798,479	684,521	33,483,000
Special	10,664,024	466,096	11,130,120
Other	113,255	254,843	368,098
Support Services:			
Pupil	2,240,146	810,683	3,050,829
Instructional Staff	1,342,083	56,510	1,398,593
General Administration	103,030	65,602	168,632
School Administration	3,535,718	5,216	3,540,934
Fiscal	1,603,663	74,276	1,677,939
Business	451,261	0	451,261
Operations and Maintenance	4,763,851	689,647	5,453,498
Pupil Transportation	5,565,814	0	5,565,814
Central	1,587,421	14,400	1,601,821
Operation of Non-Instructional Services	1,141,056	2,877,786	4,018,842
Extracurricular Activities	1,191,389	322,072	1,513,461
Capital Outlay	13,712	3,594,016	3,607,728
Debt Service:			
Principal Retirement	0	13,134,031	13,134,031
Interest and Fiscal Charges	0	3,951,655	3,951,655
Total Expenditures	67,114,902	27,001,354	94,116,256
Excess of Revenues Over (Under) Expenditures	6,938,094	(16,813,100)	(9,875,006)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	1,143	360,000	361,143
Issuance of Refunded Bonds	0	10,960,000	10,960,000
Premium on Bonds Sold	0	1,683,178	1,683,178
Transfers In	0	1,841	1,841
Transfers (Out)	(1,841)	0	(1,841)
Total Other Financing Sources (Uses)	(698)	13,005,019	13,004,321
Net Change in Fund Balance	6,937,396	(3,808,081)	3,129,315
Fund Balance - Beginning of Year	31,407,853	10,553,399	41,961,252
Fund Balance - End of Year	\$38,345,249	\$6,745,318	\$45,090,567

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
 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, 2017

Net Change in Fund Balance - Total Governmental Funds		\$3,129,315
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	3,976,388	
Depreciation Expense	<u>(2,441,509)</u>	1,534,879
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		
		(84,697)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	5,592,776	
Cost of benefits earned net of employee contributions	<u>(9,944,498)</u>	(4,351,722)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(86,754)	
Interest	(22,424)	
Intergovernmental	<u>114,748</u>	5,570
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.		
Premium on Bonds Issued	(1,683,178)	
Deferred Amount on Refunding	(1,127,576)	
Refunding Bonds	(10,960,000)	
Bonds and Premium Refunded	<u>1,127,576</u>	(12,643,178)
Repayment of bond principal are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		15,529,031
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		1,633
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	636,483	
Amortization of Bond Premium	320,966	
Amortization of Deferred Charge on Refunding	(181,865)	
Bond Accretion	<u>(410,345)</u>	365,239
The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
Change in Net Position - Internal Service Funds		<u>35,493</u>
Change in Net Position of Governmental Activities		<u>\$3,521,563</u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities	Governmental Activities- Internal Service Funds
Current Assets:		
Equity in Pooled Cash and Investments	\$1,700,679	\$0
Inventory	43,437	0
Total Assets	<u>1,744,116</u>	<u>0</u>
Deferred Outflows of Resources:		
Pension	282,096	0
Total Deferred Outflows of Resources	<u>282,096</u>	<u>0</u>
Liabilities:		
Current Liabilities:		
Accounts Payable	18,443	0
Accrued Wages and Benefits	76,950	0
Claims Payable	0	15,527
Total Current Liabilities	<u>95,393</u>	<u>15,527</u>
Long-Term Liabilities:		
Net Pension Liability	1,258,935	0
Total Noncurrent Liabilities	<u>1,258,935</u>	<u>0</u>
Total Liabilities	<u>1,354,328</u>	<u>15,527</u>
Deferred Inflows of Resources:		
Pension	7,969	0
Total Deferred Inflows of Resources	<u>7,969</u>	<u>0</u>
Net Position:		
Unrestricted	<u>663,915</u>	<u>(15,527)</u>
Total Net Position	<u>\$663,915</u>	<u>(\$15,527)</u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities	Governmental Activities- Internal Service Funds
Operating Revenues:		
Charges for Services	\$1,504,789	\$123,948
Total Operating Revenues	<u>1,504,789</u>	<u>123,948</u>
Operating Expenses:		
Personal Services	658,404	0
Contactual Services	132,167	0
Materials and Supplies	802,569	0
Claims Expenses	0	88,455
Other	141,372	0
Total Operating Expenses	<u>1,734,512</u>	<u>88,455</u>
Operating Income (Loss)	<u>(229,723)</u>	<u>35,493</u>
Non-Operating Revenues (Expenses):		
Operating Grants	980,501	0
Total Non-Operating Revenues (Expenses)	<u>980,501</u>	<u>0</u>
Change in Net Position	750,778	35,493
Net Position - Beginning of Year	<u>(86,863)</u>	<u>(51,020)</u>
Net Position - End of Year	<u>\$663,915</u>	<u>(\$15,527)</u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-Type	
	Activities	Governmental
	Food Service Provided for Other Districts	Activities- Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$1,504,789	\$123,948
Cash Payments to Employees	(763,313)	0
Cash Payments to Suppliers	(968,968)	(123,948)
Net Cash Provided (Used) by Operating Activities	(227,492)	0
Cash Flows from Noncapital Financing Activities:		
Operating Grants Received	980,501	0
Net Cash Provided (Used) by Noncapital Financing Activities	980,501	0
Net Increase (Decrease) in Cash and Cash Equivalent	753,009	0
Cash and Cash Equivalents - Beginning of Year	947,670	0
Cash and Cash Equivalents - End of Year	1,700,679	0
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(229,723)	35,493
Changes in Assets & Liabilities:		
(Increase) Decrease in Prepaid Items	(43,437)	0
(Increase) Decrease in Deferred Outflows of Resourc	(122,757)	0
Increase (Decrease) in Payables	18,410	0
Increase (Decrease) in Accrued Liabilities	(5,183)	0
Increase (Decrease) in Deferred Inflows of Resource	(108,715)	0
Increase (Decrease) in Claims Payables	263,913	(35,493)
Net Cash Provided (Used) by Operating Activities	(\$227,492)	\$0

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$192,130</u>
Total Assets	<u>192,130</u>
Liabilities:	
Other Liabilities	<u>192,130</u>
Total Liabilities	<u>\$192,130</u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Note 1 - Description of the District

Milford Exempted Village School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the District's nine instructional support facilities staffed by approximately 361 non-certificated, 426 teaching personnel and 30 administrative employees providing education to approximately 6,776 students.

Reporting Entity

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

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

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

The City of Milford, PTA's, Athletic Boosters, Band Boosters, Choral Boosters, After Prom, and the Parent Teacher Organizations, which perform activities within the District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

The District is associated with three organizations of which two are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are:

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Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Jointly Governed Organizations:

Hamilton Clermont Cooperative Information Technology Center
Great Oaks Career Campuses

Insurance Purchasing Pool:

Southwest Ohio Organization of School Health

These organizations are presented in Note 14 and 15 to the basic 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.

Measurement Focus

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

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

Fund Accounting

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

Governmental Funds

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

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.

Proprietary Funds

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

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

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

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund of the District accounts for a self-insurance program which provides workers' compensation benefits to employees.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Fiduciary Funds

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Milford Exempted Village School District
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Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to a deferred charge on refunding and pension are reported on the governmental-wide statement of net position. For more pension related information, see Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes (which includes tax incremental financing 'TIF'), deferred gain on refunding, pension and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's (other taxes) have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Deferred gain on refunding has been recorded as deferred inflows only on the government-wide statement of net position. Grants and investment earnings have been recorded as deferred inflows only on the governmental fund financial statements. Deferred resources related to pension are reported on the government-wide statement of net position. For more pension related information, see Note 9.

Unearned Revenue

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

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2017 amounted to \$120,830. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$119,847.

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

Inventory

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

Capital Assets

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

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

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

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation. Restricted assets include retainage and the nonexpendable amount relating to the permanent endowment fund.

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Pensions

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

Compensated Absences

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

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

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

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

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

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

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's restricted net position of \$7,479,344, none was restricted by enabling legislation.

Fund Balance

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

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

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

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

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

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

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

Operating Revenues and Expenses

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

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Interfund Activity

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

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

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

Estimates

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

Note 3 - Equity in Pooled Cash and Investments

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

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

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

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

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

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

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

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

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by federal depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2017, \$20,990,066 of the District's bank balance of \$21,240,066 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

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

Investments

As of June 30, 2017, the District had the following investments:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	\$938,634	N/A	0.00
Federal Home Loan Bank	284,838	Level 2	4.48
Negotiable CDs	5,991,403	Level 2	1.95
Commercial Paper	4,079,853	Level 2	0.66
Federal Home Loan Mortgage Corporation	6,270,205	Level 2	2.99
Treasury Notes	3,041,394	Level 1	1.47
Federal National Mortgage Association	1,760,677	Level 2	2.84
	<u>\$22,367,004</u>		
Portfolio Weighted Average Maturity			1.96

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, 2017. All 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 values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corp., Federal National Mortgage Association, and United States Treasury Notes were rated AA+ by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Commercial Paper was rated A-1+ by Standard & Poor's ratings and P-1 by Moody's Investment Service. Money Market Funds and Negotiable CDs were not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 18% in Commercial Paper, 28% in Federal Home Loan Mortgage Corp., 8% in Federal National Mortgage Association, 14% in United States Treasury Notes, 27% in Negotiable CDs, 1% in Federal Home Loan Bank and 4% in Money Market Funds.

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

Note 4 - Property Taxes

Real property taxes collected in 2017 were levied in April on the assessed values as of January 1, 2016, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax revenue received during calendar year 2017 (other than public utility property tax) represents the collection of 2017 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2016 were levied after April 1, 2016, on the value as of December 31, 2016. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2017 and for which there is an enforceable legal claim. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflow for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2017, was \$10,430,194 for General Fund, and \$528,349 for Other Governmental Funds, and is recognized as revenue.

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

Milford Exempted Village School District
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The assessed values upon which the fiscal year 2017 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$892,528,880
Public Utility	<u>31,808,360</u>
Total	<u><u>\$924,337,240</u></u>

Note 5 – Receivables

Receivables at June 30, 2016, consisted of taxes, accounts (rent, tuition, and student fees), interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$4,944,233	\$0	(\$14,784)	\$4,929,449
Construction in Progress	<u>25,693,315</u>	<u>2,748,175</u>	<u>0</u>	<u>28,441,490</u>
Total Capital Assets, not being depreciated	30,637,548	2,748,175	(14,784)	33,370,939
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	90,953,703	510,156	(215,538)	91,248,321
Equipment	<u>4,509,540</u>	<u>718,057</u>	<u>(23,466)</u>	<u>5,204,131</u>
<i>Total Capital Assets, being depreciated:</i>	<u>95,463,243</u>	<u>1,228,213</u>	<u>(239,004)</u>	<u>96,452,452</u>
Totals at Historical Cost	<u>126,100,791</u>	<u>3,976,388</u>	<u>(253,788)</u>	<u>129,823,391</u>
Less Accumulated Depreciation:				
Buildings and Improvements	29,182,537	2,193,560	(164,415)	31,211,682
Equipment	<u>3,773,992</u>	<u>247,949</u>	<u>(4,676)</u>	<u>4,017,265</u>
Total Accumulated Depreciation	<u>32,956,529</u>	<u>2,441,509</u>	<u>(169,091)</u>	<u>35,228,947</u>
Governmental Activities Capital Assets, Net	<u><u>\$93,144,262</u></u>	<u><u>\$1,534,879</u></u>	<u><u>(\$84,697)</u></u>	<u><u>\$94,594,444</u></u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,208,752
Special	285,994
Vocational	782,929
Support Services:	
School Administration	44,472
Fiscal	2,350
Business	5,971
Operations and Maintenance	53,888
Pupil Transportation	6,736
Central	7,357
Operation of Non-Instructional Services	38,294
Extracurricular Activities	4,766
Total Depreciation Expense	<u>\$2,441,509</u>

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Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Note 7 - Long-Term Liabilities

	Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities:						
Loan, Bonds & Notes:						
2006 Refunded General Obligation Bonds:						
Capital Appreciation- Principal	4.00%	\$195,000	\$0	(\$195,000)	\$0	\$0
Capital Appreciation- Interest		2,269,260	125,740	(2,395,000)	0	0
2007 Refunded General Obligation Bonds		22,515,000	0	(12,190,000)	10,325,000	0
Long Term Notes		1,580,000	0	(72,000)	1,508,000	78,000
2008 School Improvement:						
Current Interest	3.50%	625,000	0	(310,000)	315,000	315,000
Capital Appreciation-Principal		285,000	0	0	285,000	0
Capital Appreciation- Interest		791,175	201,002	0	992,177	0
2015 Refunding of Series 2006:		6,030,000	0	(20,000)	6,010,000	1,435,000
2015 Refunding of Series 2008:						
Current Interest		28,315,000	0	(70,000)	28,245,000	70,000
Capital Appreciation-Principal		435,000	0	0	435,000	0
Capital Appreciation- Interest		83,894	83,603	0	167,497	0
Premium on Bonds		6,462,306	0	(1,725,573)	4,736,733	0
2017 Refunding of Series 2007		0	10,960,000	0	10,960,000	0
Premium on 2017 Refunding Bonds		0	1,683,178	0	1,683,178	0
Total Loan, General Obligation Bonds & Notes		69,586,635	13,053,523	(16,977,573)	65,662,585	1,898,000
Compensated Absences		2,278,373	298,246	(551,474)	2,025,145	682,822
Subtotal Bonds & Other Amounts		71,865,008	13,351,769	(17,529,047)	67,687,730	2,580,822
Net Pension Liability						
STRS		71,079,594	16,608,470	0	87,688,064	0
SERS		18,598,842	5,140,480	0	23,739,322	0
Total Net Pension Liability		89,678,436	21,748,950	0	111,427,386	0
Total Governmental Activities		\$161,543,444	\$35,100,719	(\$17,529,047)	\$179,115,116	\$2,580,822
Business Type Activities:						
Net Pension Liability						
STRS		\$0	\$0	\$0	\$0	\$0
SERS		995,022	263,913	0	1,258,935	0
Total Net Pension Liability		\$995,022	\$263,913	\$0	\$1,258,935	\$0

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

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

Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

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

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

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

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

Refunding General Obligation Bonds - During fiscal year 2017, the District issued \$10,960,000 of general obligations bonds for the current refunding of \$12,190,000 of the 2007 refunding bonds. The \$1,683,178 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of the new debt, which has a remaining life of 10 years. The refunding was undertaken to take advantage of lower interest rates. The refunding bonds are retired through the Debt Service Fund using taxes revenues.

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

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Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Principal and interest requirements for governmental activities to retire bonds and notes outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30	Loan, Notes & Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$1,896,000	\$2,735,112	\$4,631,112	\$0	\$0	\$0
2019	1,620,000	2,648,213	4,268,213	95,000	475,000	570,000
2020	1,673,000	2,581,621	4,254,621	95,000	560,000	655,000
2021	1,752,000	2,496,343	4,248,343	530,000	1,390,000	1,920,000
2022	1,746,000	2,417,532	4,163,532	0	0	0
2023-2027	17,004,000	10,045,296	27,049,296	0	0	0
2028-2032	20,137,000	5,111,598	25,248,598	0	0	0
2033-2037	11,535,000	1,497,625	13,032,625	0	0	0
Total	<u>\$57,363,000</u>	<u>\$29,533,340</u>	<u>\$86,896,340</u>	<u>\$720,000</u>	<u>\$2,425,000</u>	<u>\$3,145,000</u>

Note 8 – Current Refunding

On April 18, 2017 the District issued \$10,960,000 in Current Interest Bonds with an interest rate between 2.25% and 5.00% which was used to current refund \$12,190,000 of the outstanding 2007 General Obligation Bonds with an interest rate between 4.00% and 5.50%. The net proceeds of \$12,643,178 (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, \$12,190,000 of the 2007 General Obligation 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 2007 General Obligation Bonds to reduce its total debt service payments by \$2,015,544 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,809,580.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the employer’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.

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – 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.

Milford Exempted Village School District
Notes to the Basic Financial Statements
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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer 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, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$1,533,559 for fiscal year 2017. Of this amount \$289,834 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – 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.

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$4,136,448 for fiscal year 2017. Of this amount \$706,668 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$24,998,257	\$87,688,064	\$112,686,321
Proportion of the Net Pension Liability	0.34154930%	0.26196644%	
Pension Expense	2,334,450	7,610,048	9,944,498

At June 30, 2017, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Milford Exempted Village School District
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$337,169	\$3,543,019	\$3,880,188
Changes of assumptions	1,668,770	0	1,668,770
Net difference between projected and actual earnings on pension plan investments	2,061,993	7,280,465	9,342,458
Changes in employer proportionate share of net pension liability	0	2,781,222	2,781,222
Contributions subsequent to the measurement date	<u>1,533,559</u>	<u>4,136,448</u>	<u>5,670,007</u>
Total Deferred Outflows of Resources	<u>\$5,601,491</u>	<u>\$17,741,154</u>	<u>\$23,342,645</u>
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	<u>158,238</u>	<u>0</u>	<u>158,238</u>
Total Deferred Inflows of Resources	<u>\$158,238</u>	<u>\$0</u>	<u>\$158,238</u>

\$5,670,007 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$951,585	\$2,550,423	\$3,502,008
2019	950,099	2,550,423	3,500,522
2020	1,415,272	5,344,140	6,759,412
2021	<u>592,738</u>	<u>3,159,720</u>	<u>3,752,458</u>
Total	<u>\$3,909,694</u>	<u>\$13,604,706</u>	<u>\$17,514,400</u>

Actuarial Assumptions - SERS

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

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

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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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 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

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For The Fiscal Year Ended June 30, 2017**

rate of return (7.50 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 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$33,096,135	\$24,998,257	\$18,219,997

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, 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, 2016, 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:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1.00	3.00
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$116,530,312	\$87,688,064	\$63,357,928

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the net pension liability is expected to be significant.

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Note 10 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$236,539, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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.

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

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 2017, 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, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively.

Note 11 - Contingent Liabilities

Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

Grants

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

Litigation

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

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District contracted with Acordia for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Indiana Insurance are as follows:

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For The Fiscal Year Ended June 30, 2017

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

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

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

	<u>2016</u>	<u>2017</u>
Claims Liability at Beginning of Year	\$9,439	\$51,020
Claims Incurred	235,043	52,962
Claims Paid	<u>(193,462)</u>	<u>(88,455)</u>
Claims Liability at End of Year	<u>\$51,020</u>	<u>\$15,527</u>

Note 13 - Fund Balance Reserves For Set-Asides

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

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2016	\$0
Current Year Set Aside Requirements	1,128,943
Qualified Disbursements	(875,771)
Current year Offsets	<u>(253,172)</u>
Set Aside Reserve Balance as of June 30, 2017	<u>\$0</u>
Restricted Cash as of June 30, 2017	<u>\$0</u>

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Note 14 - Jointly Governed Organizations

Hamilton Clermont Cooperative Information Technology Center

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

Great Oaks Career Campuses

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, which possesses its own budgeting and taxing authority. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the school district including students of Milford Exempted Village School District. The District has no ongoing financial interest in nor responsibility for the Vocational School. Complete financial statements for Great Oaks can be obtained from the Chief Fiscal Officer, Ben Van Horn, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 15 - Insurance Purchasing Pool

The District participates in Southwest Ohio Organization of School Health (SWOOSH) an insurance purchasing pool. The objective of the SWOOSH consortium is to maximize benefits and / or reduce costs of medical, prescription drug, vision, dental, life and / or other group insurance coverages. While the consortium serves short term savings needs, in the long term it will promote rate stability and allow the districts to move to a healthier place using wellness. SWOOSH is a health and wellness consortium for school districts and government agencies that come together to provide stability and quality access to health care and benefits to all eligible members. SWOOSH will do this by leveraging economies of scale, commonality of choices and driving wellness and health management by collaborative efforts of all participating agencies. SWOOSH became self-insured January 1, 2015.

Note 16 – Fund Balances

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

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**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Inventory	\$68,290	\$0	\$68,290
Permanent Endowment	0	12,072	12,072
Total Nonspendable	<u>68,290</u>	<u>12,072</u>	<u>80,362</u>
Restricted for:			
Other Grants	0	38,679	38,679
Athletic	0	212,806	212,806
Auxiliary Services	0	103,135	103,135
Classroom Facilities Maintenance	0	956,073	956,073
Carl Perkins	0	1,180	1,180
Title III	0	185	185
Special Trust	0	55,511	55,511
Debt Service	0	3,252,345	3,252,345
Permanent Improvement	0	1,184,321	1,184,321
Ohio Facilities Construction Commission	0	1361703	1,361,703
Total Restricted	<u>0</u>	<u>7,165,938</u>	<u>7,165,938</u>
Committed to:			
Building	0	591,729	591,729
Total Committed	<u>0</u>	<u>591,729</u>	<u>591,729</u>
Assigned to:			
Encumbrances	363,106	0	363,106
Permanent Endowment	0	143,248	143,248
Budgetary Resourse	112,877	0	112,877
Public Schools	152,789	0	152,789
Total Assigned	<u>628,772</u>	<u>143,248</u>	<u>772,020</u>
Unassigned (Deficit)	<u>37,648,187</u>	<u>(1,167,669)</u>	<u>36,480,518</u>
Total Fund Balance	<u>\$38,345,249</u>	<u>\$6,745,318</u>	<u>\$45,090,567</u>

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**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Note 17 - Interfund Balances/Transfers

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

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$1,021,685	\$0	\$0	\$1,841
Other Governmental Funds	0	1,021,685	1,841	0
Total all funds	<u>\$1,021,685</u>	<u>\$1,021,685</u>	<u>\$1,841</u>	<u>\$1,841</u>

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

Note 18 - Accountability

The following funds had deficit fund balances/net position at June 30, 2017:

<u>Other Governmental Funds:</u>	<u>Deficit</u>	<u>Proprietary Fund:</u>	<u>Deficit</u>
Miscellaneous State Grants	\$5,022	Internal Service	\$15,527
Alternative School Program	6,067		
Reducing Class Size	5,526		
Food Service	1,088,873		
IDEA Preschool Grant	2,177		
Title VI-B	21,030		
Title I	38,974		

These deficits were created by the recognition of accrued liabilities.

Note 19 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB No. 14*.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the District.

**Milford Exempted Village School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

Note 20 – Food Service for Other Districts/Schools

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

Note 21 – Tax Abatements entered Into By Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) and Enterprise Zone Agreement (“EZA”) programs with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. The EZA program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in the community. Within the taxing districts of the District, The City of Milford and Union Township have entered into CRA and EZA agreements. Under these agreements the District’s property taxes were reduced by \$1,121,771. The District received \$453,072 in payments associated with the forgone property tax revenue.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.26196644%	0.25718928%	0.24729513%	0.24729513%
District's Proportionate Share of the Net Pension Liability	\$87,688,064	\$71,079,594	\$60,150,734	\$71,458,200
District's Covered-Employee Payroll	\$27,981,857	\$26,098,114	\$27,210,323	\$30,658,390
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	313.37%	272.36%	221.06%	233.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available

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

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

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.34154930%	0.34338470%	0.34605300%	0.34605300%
District's Proportionate Share of the Net Pension Liability	\$24,998,257	\$19,593,864	\$17,513,545	\$20,584,832
District's Covered-Employee Payroll	\$9,928,971	\$10,631,745	\$10,157,201	\$9,445,033
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	251.77%	184.30%	172.42%	217.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2014 is not available

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$4,136,448	\$3,917,460	\$3,653,736	\$3,537,342	\$3,746,052	\$3,636,564	\$3,912,444	\$3,553,440	\$3,358,572	\$3,393,276
Contributions in Relation to the Contractually Required Contribution	(4,136,448)	(3,917,460)	(3,653,736)	(3,537,342)	(3,746,052)	(3,636,564)	(3,912,444)	(3,553,440)	(3,358,572)	(3,393,276)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$29,546,057	\$27,981,857	\$26,098,114	\$27,210,323	\$30,658,390	\$30,571,356	\$31,424,726	\$30,124,070	\$28,078,636	\$28,538,516
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	12.22%	11.90%	12.45%	11.80%	11.96%	11.89%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$1,533,559	\$1,390,056	\$1,401,264	\$1,407,788	\$1,374,480	\$1,240,104	\$1,313,616	\$1,341,000	\$1,275,564	\$1,321,680
Contributions in Relation to the Contractually Required Contribution	(1,533,559)	(1,390,056)	(1,401,264)	(1,407,788)	(1,374,480)	(1,240,104)	(1,313,616)	(1,341,000)	(1,275,564)	(1,321,680)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$10,953,993	\$9,928,971	\$10,631,745	\$10,157,201	\$9,445,033	\$9,102,462	\$9,588,917	\$9,402,539	\$10,670,274	\$10,784,122
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	14.55%	13.62%	13.70%	14.26%	11.95%	12.26%

Milford Exempted Village School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$35,338,986	\$35,725,857	\$36,328,192	\$602,335
Revenue in lieu of taxes	2,431,926	2,458,549	2,500,000	41,451
Tuition and Fees	1,974,371	1,995,985	2,029,637	33,652
Investment Earnings	251,844	254,601	258,894	4,293
Intergovernmental	27,940,447	28,246,323	28,722,554	476,231
Extracurricular Activities	79,598	80,469	81,826	1,357
Charges for Services	3,121	3,155	3,208	53
Other Revenues	643,196	650,237	661,200	10,963
Total Revenues	68,663,489	69,415,176	70,585,511	1,170,335
Expenditures:				
Current:				
Instruction:				
Regular	33,774,940	33,774,940	31,909,433	1,865,507
Special	11,248,393	11,248,393	10,627,105	621,288
Other	122,451	122,451	115,688	6,763
Support Services:				
Pupil	2,351,270	2,351,270	2,221,401	129,869
Instructional Staff	1,381,206	1,381,206	1,304,917	76,289
General Administration	122,215	122,215	115,465	6,750
School Administration	3,664,314	3,664,314	3,461,921	202,393
Fiscal	1,708,672	1,708,672	1,614,296	94,376
Business	473,391	473,391	447,244	26,147
Operations and Maintenance	5,236,341	5,236,341	4,947,120	289,221
Pupil Transportation	5,941,406	5,941,406	5,613,242	328,164
Central	1,932,312	1,932,312	1,825,584	106,728
Operation of Non-Instructional Services	95	95	90	5
Extracurricular Activities	1,256,588	1,256,588	1,187,182	69,406
Capital Outlay	14,514	14,514	13,712	802
Total Expenditures	69,228,108	69,228,108	65,404,400	3,823,708
Excess of Revenues Over (Under) Expenditures	(564,619)	187,068	5,181,111	4,994,043
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,112	1,124	1,143	19
Transfers (Out)	(1,949)	(1,949)	(1,841)	108
Total Other Financing Sources (Uses)	(837)	(825)	(698)	127
Net Change in Fund Balance	(565,456)	186,243	5,180,413	4,994,170
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	27,714,597	27,714,597	27,714,597	0
Fund Balance End of Year	\$27,149,141	\$27,900,840	\$32,895,010	\$4,994,170

See accompanying notes to the required supplementary information.

Milford Exempted Village School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2017

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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

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

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

Milford Exempted Village School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2017

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$6,937,396
Revenue Accruals	(3,467,485)
Expenditure Accruals	2,145,409
Encumbrances	(421,475)
Funds Budgeted Elsewhere	<u>(13,432)</u>
Budget Basis	<u><u>\$5,180,413</u></u>

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**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	3L70	\$328,493
National School Lunch Program	10.555	3L60	1,475,160
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	N/A	328,826
Total Child Nutrition Cluster			2,132,479
Total U.S. Department of Agriculture			2,132,479
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	3M20	1,300,807
Special Education - Preschool Grants	84.173	3C50	33,851
Total Special Education Cluster			1,334,658
Title I Grants to Local Education Agencies	84.010	3M00	741,117
Improving Teacher Quality State Grants	84.367	3Y60	115,949
English Language Acquisition State Grants	84.365	3Y70	13,153
<i>Passed Through Great Oaks Career Campuses:</i>			
Career & Technical Education Basic Grants to States	84.048	GO	18,820
Total U.S. Department of Education			2,223,697
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Direct Program</i>			
Drug-Free Communities Support Program Grants	93.276	N/A	105,463
Total U.S. Department of Health and Human Services			105,463
Total Expenditures of Federal Awards			\$4,461,639

The accompanying notes are an integral part of this schedule.

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Milford Exempted Village School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



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*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milford Exempted Village School District, Clermont County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2018.

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 report 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

March 22, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Milford Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Milford Exempted Village School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Milford Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2018

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA # 84.027 and 84.173 Title I -Grants to Local Education Agencies – CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2018**