

**MISSISSINAWA VALLEY
LOCAL SCHOOL DISTRICT
DARKE COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Education
Mississinawa Valley Local School District
1469 State Route 47
Union City, Ohio 45390

We have reviewed the *Independent Auditor's Report* of the Mississinawa Valley Local School District, Darke County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mississinawa Valley Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 2, 2018

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT

Board of Education
Mississinawa Valley Local School District
Union City, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mississinawa Valley Local School District, Darke County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash accounting basis described in Note 2; this includes determining that the cash accounting basis is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mississinawa Valley Local School District, Ohio, as of June 30, 2016, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the basis of accounting described in Note 2.

Accounting Basis

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the Mississinawa Valley Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississinawa Valley Local School District, Ohio's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

October 31, 2017

Mississinawa Valley Local School District
Darke County, Ohio

Statement of Net Position - Cash Basis
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,295,538</u>
<i>Total Assets</i>	<u><u>\$4,295,538</u></u>
Net Position	
Restricted for:	
Debt Service	\$256,806
Capital Outlay	19,863
Other Purposes	304,654
Unrestricted	<u>3,714,215</u>
<i>Total Net Position</i>	<u><u>\$4,295,538</u></u>

See accompanying notes to the basic financial statements

**Mississinawa Valley Local School District
Darke County, Ohio**

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016*

	Program Cash Receipts			Net (Disbursements Receipts and Changes in Net Position)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 3,916,338	\$349,045	\$245,478	(\$3,321,815)
Special	876,209	219,621	132,337	(524,251)
Vocational	12,257	0	5,083	(7,174)
Student Intervention Services	575,753	0	0	(575,753)
Support Services:				
Pupil	347,054	0	146,081	(200,973)
Instructional Staff	229,932	2,912	3,600	(223,420)
Board of Education	25,610	0	0	(25,610)
Administration	454,965	31,538	0	(423,427)
Fiscal	144,078	0	0	(144,078)
Business	1,175	0	0	(1,175)
Operation and Maintenance of Plant	817,659	0	0	(817,659)
Pupil Transportation	360,439	0	0	(360,439)
Central	1,176	0	0	(1,176)
Operation of Non-Instructional Services	685,608	101,417	199,465	(384,726)
Extracurricular Activities	351,127	118,214	0	(232,913)
Capital Outlay	219,296	0	0	(219,296)
Debt Service:				
Principal	27,233	0	0	(27,233)
Interest	127,002	0	0	(127,002)
Total Governmental Activities	9,172,911	822,747	732,044	(7,618,120)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,800,298
Debt Service				141,415
Capital Outlay				50,540
Classroom Maintenance				24,252
Income Taxes Levied for General Purposes				1,140,995
Grants and Entitlements not Restricted to Specific Programs				5,164,983
Interest				9,327
Miscellaneous				23,959
Total General Receipts				8,355,769
Change in Net Position				737,649
<i>Net Position Beginning of Year</i>				<u>3,557,889</u>
<i>Net Position End of Year</i>				<u><u>\$4,295,538</u></u>

See accompanying notes to the basic financial statements

Mississinawa Valley Local School District
Darke County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
As of June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,708,532	\$587,006	\$4,295,538
<i>Total Assets</i>	<u>\$3,708,532</u>	<u>\$587,006</u>	<u>\$4,295,538</u>
Fund Balances			
Restricted	0	581,323	581,323
Committed	0	5,683	5,683
Assigned	465,324	0	465,324
Unassigned	3,243,208	0	3,243,208
<i>Total Fund Balances</i>	<u>\$3,708,532</u>	<u>\$587,006</u>	<u>\$4,295,538</u>

See accompanying notes to the basic financial statements

**Mississinawa Valley Local School District
Darke County, Ohio**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$1,800,298	\$216,207	\$2,016,505
Income Tax	1,140,995	0	1,140,995
Intergovernmental	5,116,025	780,778	5,896,803
Interest	9,327	0	9,327
Tuition and Fees	526,317	20,885	547,202
Customer Sales and Service	0	95,440	95,440
Extracurricular Activities	61,971	79,644	141,615
Miscellaneous	55,620	5,977	61,597
<i>Total Receipts</i>	<u>8,710,553</u>	<u>1,198,931</u>	<u>9,909,484</u>
Disbursements			
Current:			
Instruction:			
Regular	3,605,362	310,976	3,916,338
Special	737,565	138,644	876,209
Vocational	12,257	0	12,257
Student Intervention Services	575,753	0	575,753
Support Services:			
Pupil	200,973	146,081	347,054
Instructional Staff	225,094	4,838	229,932
Board of Education	25,610		25,610
Administration	453,965	1,000	454,965
Fiscal	137,957	6,121	144,078
Business	1,175		1,175
Operation and Maintenance of Plant	691,150	126,509	817,659
Pupil Transportation	283,672	76,767	360,439
Central	1,176		1,176
Operation of Non-Instructional Services	367,602	318,006	685,608
Extracurricular Activities	258,239	92,888	351,127
Capital Outlay	219,296	0	219,296
Debt Service:			
Principal	0	27,233	27,233
Interest	0	127,002	127,002
<i>Total Disbursements</i>	<u>7,796,846</u>	<u>1,376,065</u>	<u>9,172,911</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	913,707	(177,134)	736,573
Other Financing Sources			
Refund of Prior Year Expenditures	1,076	0	1,076
<i>Net Change in Fund Balances</i>	914,783	(177,134)	737,649
<i>Fund Balances Beginning of Year</i>	<u>2,793,749</u>	<u>764,140</u>	<u>3,557,889</u>
<i>Fund Balances End of Year</i>	<u>\$3,708,532</u>	<u>\$587,006</u>	<u>\$4,295,538</u>

See accompanying notes to the basic financial statements

MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Revenues:				
Property Taxes	\$ 1,803,000	\$ 1,800,298	\$ 1,800,298	\$0
Income Tax	1,020,000	1,140,995	1,140,995	0
Tuition and Fees	420,000	524,673	524,673	0
Interest	2,100	9,327	9,327	0
Intergovernmental	4,639,000	5,116,025	5,116,025	0
Gifts and Donations	1,000	0	0	0
Miscellaneous	30,000	52,620	55,620	3,000
Total Revenues	<u>7,915,100</u>	<u>8,643,938</u>	<u>8,646,938</u>	<u>3,000</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,933,900	3,719,236	3,719,236	0
Special	895,599	752,803	752,803	0
Vocational	13,000	12,257	12,257	0
Student Intervention Services	616,500	622,633	622,633	0
Support Services:				
Pupils	216,788	201,490	201,490	0
Instructional Staff	2,992	253,763	253,763	0
Board of Education	26,427	26,901	26,901	0
Administration	454,459	426,880	426,880	0
Fiscal	131,681	145,011	145,011	0
Business	4,395	4,145	4,145	0
Operation and Maintenance of Plant	716,757	732,640	732,640	0
Pupil Transportation	354,129	312,562	312,562	0
Central	2,114	1,922	1,922	0
Extracurricular Activities	229,584	294,374	294,374	0
Operation of Non-instructional Services	456,533	373,582	373,582	0
Capital Outlay	0	219,296	219,296	0
Total Expenditures	<u>8,054,858</u>	<u>8,099,495</u>	<u>8,099,495</u>	<u>0</u>
Excess of Receipts Over (Under) Disbursements	(139,758)	544,443	547,443	3,000
Other Financing Sources:				
Refund of Prior Year Expenditure	0	1,076	1,076	0
Net Change in Fund Balance	(139,758)	545,519	548,519	3,000
Fund Balance at Beginning of Year	2,538,552	2,538,552	2,538,552	0
Prior Year Encumbrances Appropriated	211,158	211,158	211,158	0
Fund Balance at End of Year	<u><u>\$2,609,952</u></u>	<u><u>\$3,295,229</u></u>	<u><u>\$3,298,229</u></u>	<u><u>\$3,000</u></u>

See Accompanying Notes to the Basic Financial Statements

Mississinawa Valley Local School District
Darke County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$0	\$48,324
Investments in Segregated Accounts	378,846	0
<i>Total Assets</i>	\$378,846	\$48,324
Liabilities		
Due to Students	0	\$48,324
Net Position		
Held in Trust for Scholarships	\$378,846	
	\$378,846	
See accompanying notes to the basic financial statements		

Mississinawa Valley Local School District
Darke County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions	
Interest	\$3,076
Deductions	
Scholarships	5,600
Change in Net Position	(2,524)
Net Position - Beginning of Year	381,370
Net Position - End of Year	\$378,846

See accompanying notes to the basic financial statements

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Mississinawa Valley Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

Reporting Entity:

A reporting entity is comprised 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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mississinawa Valley Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the District is financially accountable and for which a financial benefit or burden relationship exists. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District is financially accountable for an organization if an organization is fiscally dependent on the District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Mississinawa Valley Local School District has no component units.

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 12 and 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

Governmental Fund Types - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The General Fund is the School District's only major governmental fund. The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fiduciary Funds: Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds 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 School District's own programs. The School District's only trust fund is a private purpose trust which accounts for money left in trust for college scholarships for students. Agency funds are custodial in nature, where the District deposits and pays cash as directed by another entity or individual. The School District's agency funds account for student activities' cash.

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

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

Government-wide Financial Statement of Net Position and Statement of Activities: These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities. The School District, however, does not have any business-type activities.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

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

C. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds except the principal amount of the private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds are presented as "Investments in Segregated Accounts" on the financial statements.

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 was \$9,327, including \$1,931 assigned from other School District funds.

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Inventory

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

E. Prepaid Items

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as disbursements when made.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Fund Balance

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of Education of the School District has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

The School District applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

At June 30, 2016, the School District does not have any assets restricted by enabling legislation.

K. Interfund Activity

Permanent nonexchange flows of cash 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 on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

L. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund and two-digit function level for the general fund and the fund level for all other funds as its legal levels of control.

The certificate of estimated resources may be amended during the year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement of Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurement. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented but did not impact the District's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction of other event is not specified within a source of authoritative GAAP. The District has implemented but did not impact the District's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The District has implemented but did not impact the District's financial statements.

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

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

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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 School 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, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the District's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Mississinawa Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

A. Deposits

At June 30, 2016 the book balance of the School District’s deposits was \$448,784 and the bank balance was \$458,390.

Custodial Credit Risk: 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 government does not have a deposit policy for custodial credit risk. As of June, 30, 2016, the entire bank balance of \$274,739 was covered by federal depository insurance.

B. Investments

At June 30, 2016, the District had \$3,650,505 invested in STAR Ohio. STAR Ohio is an investment pool and has various interest rates. At June 30, 2016, the District had \$183,651 invested in the Wells Fargo Treasury money market.

Interest Rate Risk: The District does not have a formal investment policy that addresses interest rate risk.

Concentration of Credit Risk: The Institute places no limit on the amount it may invest in any one issuer. At June 30, 2016, 85 % of the District’s investments were in STAR Ohio.

Credit Risk: The District’s investment in STAR Ohio was rated AAAM by Standard & Poor’s at June 30, 2016. The District’s investment in the Invesco STIT money market mutual fund was not rated at June 30, 2016.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,343,862	\$378,846
Investments:		
Certificates of Deposit	378,846	(378,846)
Cash on Hand	(90)	0
Wells Fargo Treasury money market fund	(183,651)	183,651
Negotiable CD’s	(240,000)	240,000
STAR Ohio	(3,650,505)	3,650,505
GASB Statement No. 3	\$648,462	\$4,074,156

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$97,245,670	97.89%	\$96,912,770	97.40%
Public Utility	2,098,730	2.11	2,587,890	2.60
Total	\$99,344,400	100.00%	\$99,500,660	100.00%
Tax rate per \$1,000 of assessed valuation	\$29.45		\$29.45	

NOTE 6 - INCOME TAX

As of June 30, 2016, the School District levies a voted tax of 1.75 percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2016 were \$1,140,995.

Mississinawa Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, the School District contracted with the Ohio School Plan through Stolly Insurance Agency for property and fleet, general liability, boiler and machinery coverage, crime, and inland marine insurance.

Insurance coverage provided includes the following:

Building and Contents – at replacement cost (\$1,000 deductible)	29,195,917
Automobile Liability (\$0 deductible)	5,000,000
Uninsured Motorist (\$0 deductible)	1,000,000
Educational General Liability	
Per Occurrence	5,000,000
Aggregate	7,000,000
Employers Liability – Stop Gap	5,000,000
Cyber Coverage	1,000,000
Violence Coverage	1,000,000
Pollution Incident Coverage	1,000,000

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

B. Workers' Compensation

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit public employee retirement system. Established by state law in 1937, SERS provides retirement, disability, and survivor benefits to non-teaching employees of Ohio's public K-12 school districts, vocational, technical, and community schools, community colleges, and the University of Akron.

SERS is governed by Chapter 3309 of the Ohio Revised Code. These statutes assign the authority to establish and amend the benefit provisions of the plan to the State Legislature. The operation of SERS and the direction of its policies are the responsibility of the Retirement Board of SERS. The Retirement Board is responsible for the general administration and management of SERS. The Board is composed of nine members: four elected employee members, two elected retiree members, and three appointed investment expert members. One investment expert is appointed by the Governor, a second one by the State Treasurer, and the third one jointly by the Speaker of the House and the President of the Senate.

The District's contractually required contribution rate for pensions for the fiscal year ended June 30, 2016, was 13.26 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District for the year were \$152,396.

The District's proportionate share of the net pension liability is \$2,069,938. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the total contributions of all participating SERS Ohio employers. At June 30, 2015, the District's proportion was .036 percent, the same proportion as at June 30, 2014.

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	3.25 %
Salary increases	4.00 % to 22.00 % including inflation
Investment rate of return	7.75 %, net of investment expenses
Cost-of-living adjustments	3.00 %

Mortality rates were based on the 1994 Group Annuity Mortality Table for Males and Females. Males and Female's ages are set back two years.

Actuarial assumptions used in the June 30, 2015, valuation are based on results of an actuarial experience study effective June 30, 2010.

Mississinawa Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

The long-term return expectation has been determined by using a building block approach and assumes a time horizon. 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 average 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 long-term expected real rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10-Yr Expected Real Rate of Return
Cash	1.0%	0.00%
U.S. Stocks	22.5%	5.00%
Non-U.S. Stocks	22.5%	5.00%
Fixed Income	19.0%	1.50%
Private Equity	10.0%	10.00%
Real Estate	10.0%	5.00%
Multi-Asset Strategy	15.0%	7.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the 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 Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$2,870,260	\$2,069,938	\$1,396,001

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Detailed information about SERS Ohio's fiduciary net position is located in SERS Ohio's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The CAFR is available at www.ohsers.org.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

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 Chapter 3307 of the Ohio Revised Code.

The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 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 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 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 at age 55 with 25 years of service, or at any age with 30 years of service credit. Age and service requirements began increasing 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 employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made 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 DC Plan and the Combined Plan. Member contributions are invested 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. 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 Ohio bearing the risk of investment gain or loss on the account. Therefore all three plans are included in the net pension liability.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled to only their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Mississinawa Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salaries. The District's contractually required contribution rate for pensions for the fiscal year ended June 30, 2016, was 14 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District for the year were \$450,515.

The District's proportionate share of the net pension liability is \$8,157,873. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the total contributions of all participating STRS Ohio employers. At July 1, 2015, the District's proportion was .030 percent, the same as at July 1, 2015.

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	12.25 % at age 20 to 2.75% at age 70
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	2% simple applied as follows: for members retiring before August 1, 2013,
living	2% per year; for members retiring August 1, 2013, or later, 2% cost-of-adjustment paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Project 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 no set-back from age 90 and above.

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

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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

Asset Class	Target Allocation	10-Yr Expected Real Rate of Return
Domestic Equity	31%	8.00%
International Equity	26%	7.85%
Alternatives	14%	8.00%
Fixed Income	18%	3.75%
Real Estate	10%	6.75%
Liquidity Reserves	1%	3.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of July 1, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the 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 Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of July 1, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of July 1, 2015.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$11,331,901	\$8,157,873	\$5,473,759

Detailed information about the STRS Ohio's fiduciary net position is located in STRS Ohio's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The CAFR is available at www.strsoh.org or by contacting STRS Ohio at: State Teachers Retirement System of Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771.

Mississinawa Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2016, the STRS Ohio Board did not allocate any of the employer contributions to the Health Care Stabilization Fund. The School District's contributions for the fiscal years ended June 30, 2016, 2015 and 2014, were \$0, \$0, and \$30,422.

The financial reports of the STRS Ohio's Health Care Stabilization Fund are included in its stand-alone report that can be obtained by visiting the STRS Ohio website at www.strsoh.org or by calling toll-free 1-888-227-7877.

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on income; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2016, the actuarially required allocation was .74 percent. The School District's required contributions for the fiscal years ended June 30, 2016, 2015, and 2014 were \$8,505, \$8185, and \$8,037 respectively.

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

ORC 3309.375 and 3309.69 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 HMO's, PPO's, 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 ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2016, none of the employer contribution was allocated to the Health Care Fund.

In addition, a surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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 2016, the minimum pay was established at \$23,000. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the required contribution to fund health care benefits, including the surcharge, during the fiscal years ending June 30, 2016, 2015 and 2014 were \$19,056, \$27,202, and \$17,932; the surcharge has not been paid for fiscal year 2016, and 100 percent has been contributed for fiscal years 2015 and 2014.

The SERS Retirement Board establishes 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 and Medicare B Plans are included in its stand-alone report. That report may be obtained by visiting the SERS website at ohsers.org under Employers/Audit Resources.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety, not to exceed 220 days for all employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 55 days for certified and classified employees.

Mississinawa Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 - OTHER EMPLOYEE BENEFITS (continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified employees through the Community Life Insurance Company, and medical, surgical, dental and vision insurance through Anthem PPO Blue Cross Blue Shield to all employees.

C. Deferred Compensation Plan

Employees may elect to participate in the Ohio Association of School Business Officials Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/15	Additions	Deductions	Principal Outstanding 6/30/16	Amount Due Within One Year
Classroom Facilities Refunding Bonds - 2008					
Capital Appreciation Bonds 4.4 -4.45%	\$49,999	\$0	\$27,233	\$22,766	\$22,766
Serial Bonds 4.2 – 4.375%	810,000	0	0	810,000	0
Total General Long-Term Obligations	<u>\$859,999</u>	<u>\$0</u>	<u>\$27,233</u>	<u>\$832,766</u>	<u>\$22,766</u>

During fiscal year 2008, the School District issued \$989,999 general obligation bonds to advance refund the 2000 term bonds. Of these bonds, \$130,000 are term bonds with maturity dates of December 1, 2007 through December 1, 2014, \$49,999 are capital appreciation bonds maturing on December 1, 2015 and December 1, 2016, and \$810,000 are serial bonds with maturity dates of December 1, 2017 through December 1, 2022. The maturity amount for the capital appreciation bonds is \$120,000 for each year.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government, State and Local Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS (continued)

The School District's overall legal debt margin was \$8,379,103 and the unvoted debt margin was \$99,501 at June 30, 2016. Principal and interest requirements to retire the classroom facilities general obligation bonds are as follows:

Fiscal year Ending June 30,	Capital Appreciation Bonds		Serial Bonds	
	Principal	Interest	Principal	Interest
2017	\$22,766	\$131,469	\$0	\$0
2018	0	0	125,000	31,657
2019	0	0	125,000	26,500
2020	0	0	130,000	21,192
2021			140,000	15,487
2022-2023	0	0	290,000	12,818
Total	\$22,766	\$131,469	\$810,000	\$107,654

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

A. Metropolitan Dayton Educational Cooperative Association

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 school districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$13,111 for computer services provided during the fiscal year. During fiscal year 2016, MDECA became a part of META Solutions. Financial information can be obtained from Chris Knodel, Site Director, at 225 Linwood Street, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Mississinawa Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 12 - JOINTLY GOVERNED ORGANIZATION (continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2016, the School District paid \$1,175 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

NOTE 13 - INSURANCE PURCHASING POOL

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 14 - SET-ASIDE CALCULATIONS

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

The following cash basis information describes the change in the fiscal 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, 2015	\$0
Current Year Set-aside Requirement	116,862
Current Year Offsets	(74,792)
Qualifying Disbursements	(42,070)
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2016	\$0

The School District had offsets from prior fiscal years bond proceeds that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward to reduce the set-aside in future fiscal years.

Mississinawa Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 15 - CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Disbursements and Change in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash), and,
- (2) Perspective differences - activity of some funds is included with the General Fund on the cash basis because those funds do not meet the requirements to be presented as a separate fund. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the General Fund.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the:

General Fund	
<u>Net Change in Fund Balance</u>	
Cash Basis	\$914,783
Adjustment for Encumbrances	(379,272)
Perspective Difference	<u>13,008</u>
Budget Basis	<u><u>\$548,519</u></u>

NOTE 17 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Mississinawa Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 18 – FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2016 were as follows:

Fund Balance	General	Other Governmental Funds	Total
Restricted for:			
Instructional Materials		\$7,945	\$7,945
Martha Holden Jennings Grant		2,720	2,720
Classroom Facilities		5,389	5,389
Facilities Maintenance		7,581	7,581
Debt Retirement		256,806	256,806
Permanent Improvements		14,474	14,474
Educational Management			
Information Systems		2,722	2,722
Special Education		971	971
Café Expansion Grant		71	71
Food Service Operations		246,192	246,192
Athletics		36,452	36,452
Total Restricted		581,323	581,323
Committed to:			
Latchkey/Preschool		5,683	5,683
Total Committed		5,683	5,683
Assigned for:			
Unpaid Obligations	379,272		379,272
Security and Technology	59,921		59,921
Educational Activities	26,131		26,131
Total Assigned	465,324		465,324
Unassigned	3,243,208		3,243,208
Total Fund Balance	\$3,708,532	\$587,006	\$4,295,538

NOTE 19 – SIGNIFICANT PURCHASE COMMITMENTS

As of June 30, 2016, the School District had significant purchase commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance At 12/31/16
Sound Tech Communication	Gym speakers	\$10,920	\$0	\$10,920
Wagner Paving	Track resurfacing	55,480	0	55,480
Prenger Implement	Wi-fi upgrade	103,099	0	103,099
Creative Carpet Supply	Carpet	14,200	0	14,200

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Mississinawa Valley Local School District
Union City, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mississinawa Valley Local School District, Darke County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mississinawa Valley Local School District, Ohio's basic financial statements and have issued our report thereon dated October 31, 2017, wherein we noted that the Mississinawa Valley Local School District, Ohio, uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

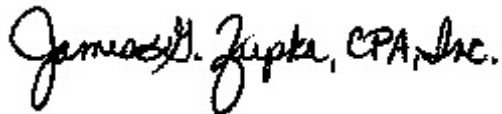
As part of obtaining reasonable assurance about whether the Mississinawa Valley Local School District, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as **Item 2016-001**.

Mississinawa Valley Local School District Response to Finding

The Mississinawa Valley Local School District, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Mississinawa Valley Local School District, Ohio's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

October 31, 2017

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

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

Finding 2016-001 – Noncompliance Finding – Annual Financial Report

Condition/Criteria

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles.

Effect

The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material cannot be determined at this time. Pursuant to the Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

Recommendation

We recommend the District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

District Response

The Mississinawa Valley Local School District Board of Education continues to support their decision in processing the OCBOA Statements as a means to save time and money for the School District.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
 DARKE COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
 JUNE 30, 2016**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2015-001	Failure to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.	Finding not corrected.	Reissued as Finding 2016-001

The prior audit report, as of June 30, 2015, also included management letter recommendations. Management letter recommendations as of June 30, 2015, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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Dave Yost • Auditor of State

MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT

DARKE 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
JANUARY 16, 2018