

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2017*

TRACY PARKER, TREASURER



Dave Yost • Auditor of State

Board of Education
Clinton-Massie Local School District
2556 Lebanon Rd
Clarksville, OH 45113

We have reviewed the *Independent Auditor's Report* of Clinton-Massie Local School District, Clinton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. 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. Clinton-Massie Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 8, 2018

This page intentionally left blank.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	18
Statement of Fiduciary Net Position - Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	20
Notes to the Basic Financial Statements.....	21 - 49
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability:	
State Teachers Retirement System (STRS) of Ohio	51
School Employees Retirement System (SERS) of Ohio	52
Schedule of District Contributions:	
State Teachers Retirement System (STRS) of Ohio	53
School Employees Retirement System (SERS) of Ohio	54
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)	
General Fund	55
Notes to the Required Supplementary Information	56 - 57
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	58
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59 - 60
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	61 - 62
Schedule of Findings 2 <i>CFR</i> § 200.515.....	63

This page intentionally left blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Clinton-Massie Local School District
Clinton County
2556 Lebanon Road
Clarksville, Ohio 45113

To the Board of Education:

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 Clinton-Massie Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Clinton-Massie Local School 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 Clinton-Massie Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Clinton-Massie Local School 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, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District, Clinton County, Ohio, as of June 30, 2017, and the respective changes in financial position for the fiscal 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 Clinton-Massie Local School 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 Schedule is management's responsibility, and derives from and relates 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 December 22, 2017, on our consideration of the Clinton-Massie Local School 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 Clinton-Massie Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 22, 2017

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

The discussion and analysis of Clinton-Massie Local School District's 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 decreased \$1,585,669 which represents a 14% decrease from 2016.
- General revenues accounted for \$15,062,572 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,334,147 or 18% of total revenues of \$18,396,719.
- The District had \$19,982,388 in expenses related to governmental activities; \$3,334,147 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,062,572 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 *Statements 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. The General Fund and Debt Service Fund are the major funds of the District.

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the 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.

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

In the Government-wide Financial Statements, the overall financial position of the District is presented 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.

Fund Financial Statements

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

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

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

The District as a Whole

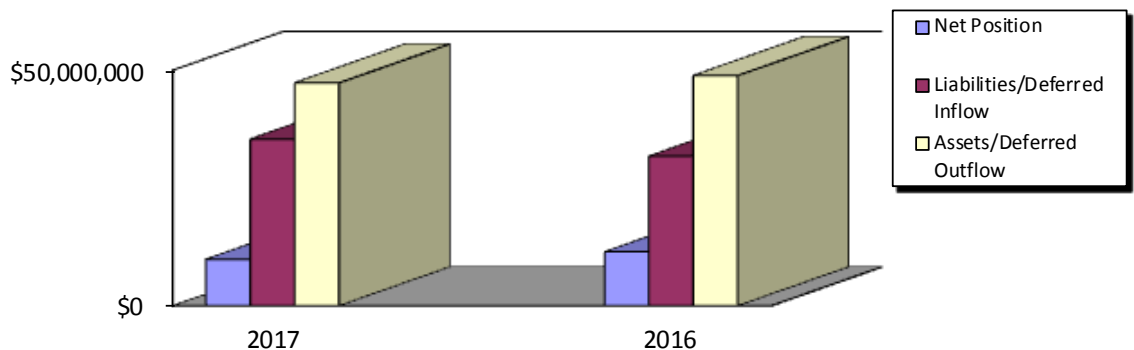
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2017 compared to 2016:

This Space Intentionally Left Blank

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2017	2016
Assets:		
Current and Other Assets	\$10,102,819	\$10,176,156
Capital Assets	37,195,728	38,672,646
Total Assets	47,298,547	48,848,802
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	229,758	248,905
	4,639,472	3,107,731
Total Deferred Outflows of Resources	4,869,230	3,356,636
Liabilities:		
Other Liabilities	1,599,076	1,506,311
Long-Term Liabilities	33,780,030	30,252,786
Total Liabilities	35,379,106	31,759,097
Deferred Inflows of Resources:		
Property Taxes	5,350,635	5,298,377
Pension	1,561,813	3,686,072
Total Deferred Inflows of Resources	6,912,448	8,984,449
Net Position:		
Net Investment in Capital Assets	30,446,191	31,478,535
Restricted	1,009,319	1,101,091
Unrestricted	(21,579,287)	(21,117,734)
Total Net Position	\$9,876,223	\$11,461,892



**Clinton-Massie Local 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 of resources exceeded liabilities and deferred inflows of resources by \$9,876,223.

At year-end, capital assets represented 79% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2017, were \$30,446,191. 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, \$1,009,319 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.

Capital assets decreased due to additions being less than depreciation expense for the fiscal year. Long-term liabilities increased mainly due to an increase in the net pension liability.

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

This Space Intentionally Left Blank

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

**Table 2
Changes in Net Position**

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services	\$1,944,312	\$1,660,298
Operating Grants, Contributions	1,389,835	1,368,375
General Revenues:		
Property Taxes	5,667,473	5,471,415
Grants and Entitlements	9,106,310	9,102,152
Investment Earnings	19,275	16,296
Other	269,514	273,537
Total Revenues	18,396,719	17,892,073
Program Expenses:		
Instruction	12,134,513	11,285,753
Support Services:		
Pupil and Instructional Staff	1,654,611	1,332,433
School Administrative, General		
Administration and Fiscal	1,787,007	1,548,475
Operations and Maintenance	1,751,629	1,561,076
Pupil Transportation	996,314	1,098,662
Operation of Non-Instructional Services	601,713	585,421
Extracurricular Activities	738,365	618,808
Interest and Fiscal Charges	318,236	315,807
Total Program Expenses	19,982,388	18,346,435
Change in Net Position	(1,585,669)	(454,362)
Net Position - Beginning of Year	11,461,892	11,916,254
Net Position - End of Year	\$9,876,223	\$11,461,892

The District 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.

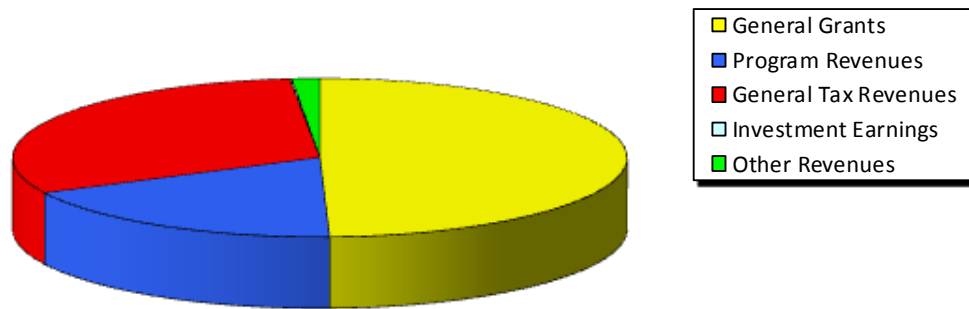
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner 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.

**Clinton-Massie Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 31% of revenue for governmental activities for the District in fiscal year 2017.

**Governmental Activities
Revenue Sources**

Revenue Sources	2017	Percent of Total
General Grants	\$9,106,310	49.50%
Program Revenues	3,334,147	18.12%
General Tax Revenues	5,667,473	30.81%
Investment Earnings	19,275	0.10%
Other Revenues	269,514	1.47%
Total Revenue Sources	\$18,396,719	100.00%



Instruction comprises 60.7% of governmental program expenses. Support services expenses were 31.0% of governmental program expenses. All other expenses including interest and fiscal charges were 8.3%. Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

Total revenues increased by 3% from 2016 to 2017. The increase was mainly due to an increase in general tax revenues and charges for services.

Governmental Activities

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

This Space Intentionally Left Blank

**Clinton-Massie Local 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	\$12,134,513	\$11,285,753	(\$9,786,104)	(\$9,098,126)
Support Services:				
Pupil and Instructional Staff	1,654,611	1,332,433	(1,650,611)	(1,328,433)
School Administrative, General				
Administration and Fiscal	1,787,007	1,548,475	(1,786,428)	(1,548,032)
Operations and Maintenance	1,751,629	1,561,076	(1,696,055)	(1,508,875)
Pupil Transportation	996,314	1,098,662	(976,548)	(1,080,733)
Operation of Non-Instructional Services	601,713	585,421	(10,255)	(24,180)
Extracurricular Activities	738,365	618,808	(424,004)	(413,576)
Interest and Fiscal Charges	318,236	315,807	(318,236)	(315,807)
Total Expenses	<u>\$19,982,388</u>	<u>\$18,346,435</u>	<u>(\$16,648,241)</u>	<u>(\$15,317,762)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$8,383,879 (83%) and assets of the debt service fund comprised \$1,298,215 (13%) of the total \$10,102,819 governmental funds' assets.

General Fund: Fund balance at June 30, 2017 was \$1,954,145, a decrease in fund balance of \$149,886 from 2016.

Debt Service Fund: Fund balance at June 30, 2017 was \$811,913, a decrease in fund balance of \$78,663 from 2016.

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.

During the course of fiscal year 2017, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$16,075,576, compared to original budget estimates of \$15,810,459. Of the \$265,117 difference, most was due to underestimating for taxes and intergovernmental revenue.

The District's general fund ending unobligated cash balance was \$2,848,716 at fiscal year end.

**Clinton-Massie Local 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 year 2017, the District had invested in land, land improvements, buildings and improvements, equipment and vehicles. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

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

	Governmental Activities	
	2017	2016
Land	\$462,953	\$462,953
Land Improvements	978,477	1,090,071
Buildings and Improvements	34,435,574	35,786,132
Equipment	719,843	821,526
Vehicles	598,881	511,964
Total Net Capital Assets	<u>\$37,195,728</u>	<u>\$38,672,646</u>

The decrease in capital assets is due to additions being less than depreciation expense for the fiscal year.

See Note 7 to the basic financial statements for further details on the District’s capital assets.

Debt

At June 30, 2017, the District had \$7,369,982 in bonds and capital leases outstanding, \$766,869 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

This Space Intentionally Left Blank

**Clinton-Massie Local 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:		
2009 Qualified School Construction	\$ 270,000	\$ 300,000
2011 Current Interest Bonds	4,925,000	5,355,000
2011 Capital Appreciation Bonds	274,995	274,995
2011 Accretion of Interest	390,687	298,403
2011 Refunding - Premium	338,179	366,360
2013 HB264 #1	565,000	615,000
2013 HB264 Premium	20,725	22,797
2013 HB264 - 30,000 Gallon Tank	124,028	0
Capital Lease Payable:		
Capital Lease	461,368	508,864
	<u>\$7,369,982</u>	<u>\$7,741,419</u>

See Notes 8-9 to the basic financial statements for further details on the District's long-term liabilities.

For the Future

The District continues to experience a decline in operating reserves as seen over the past decade. At the end of fiscal year 2017, the District had a little over 2 months of the recommended unencumbered operating reserves. However, the District is projected to fall below the goal of maintaining a 2 month operating reserve at the end of FY18. Although, the District has been making cuts over the past several years to reduce and or eliminate negative spending, the District finds itself at a crossroads where further cuts would negatively impact their educational product. The District put a levy on the ballot in the fall of 2013 and again in the fall of 2014, both with unsuccessful results. The District will be attempting another levy in the fall of 2017. The District's last operating levy was passed in 1988 which was almost 30 years ago and is very unusual given the current school funding climate in Ohio.

When resident student enrollment declined after the recession in 2008, the Board decided to implement Open Enrollment in fiscal year 2010 and had an overwhelming number of applicants. The District accepted 80 Open Enrollment students in fiscal year 2010 which continually grew each year maxing out at 172 in fiscal year 2014 and has since reduced back to 135 in fiscal year 2017. Open enrollment income really helped prop up the declining revenue stream and will continue into the future while the District better manages class sizes. Additional revenue streams have been property taxes from the completion of the Rockies Express Pipeline in fiscal year 2011 and proceeds from Casino revenues being distributed via the state in fiscal year 2013. There have also been recent changes in tax collections that have come into play. In 2014 during the Clinton County Real Estate Triennial Update, CAUV property values increased in Clinton County which resulted in increased tax collections beginning with first half 2015 collections in the 2014-15 fiscal year. There was an additional increase in property taxes with first half 2016 collections in the 2015-16 fiscal year due to the Warren County Real Estate Triennial Update in 2015. Currently, there are proposed legislative changes to CAUV property values which could negatively impact the District with estimates uncertain at this time.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Due to being heavily state funded, the District is highly susceptible to any and all changes made to the school funding formula. The District has been on the guarantee for state funding since the 2009-2010 school year which has created financial challenges. Operational expenditures continue to increase at a higher rate than increases in state and local revenues. As increases in expenditures outpace revenues in future years, costs and programs must be reduced or new sources of revenues must be found. It is a constant balancing act between the needs of the district and the funds to provide those needs. The District is proactive in weighing alternatives, and making various cost-conscious changes, where possible. However, without major reform to the state funding system, a tax levy will be needed in the near future.

The District added a new High School in fiscal year 2005, a renovated Middle School in fiscal year 2009, and a new Elementary School in fiscal year 2010. The old elementary building (now called Annex) was partially demolished with the remaining space being available for use as needed by the District. The Warren County YMCA began leasing space in the Annex for a daycare, and the two gymnasiums are also in use throughout the year for various sports and activities.

Clinton-Massie is excited about the direction in which we are heading in terms of our local report card. Clinton-Massie continues to help students grow as indicated by our Overall Value-Added grade of "A" on the 2017 report card. Clinton-Massie continues to be a leader in our region as evidenced by the following component grades for 2017: Achievement – C; Progress – B; Gap Closing – C; Graduation Rate – B; K-3 Literacy – B; and Prepared for Success – C. Clinton-Massie will continue to closely monitor student progress and achievement by using the Ohio Department of Education measures to inform and guide instruction.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to, Clinton-Massie Local School District, Tracy Parker, Treasurer, 2556 Lebanon Road, Clarksville, Ohio 45113.

This Space Intentionally Left Blank

Clinton-Massie Local School District, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$4,090,416
Receivables (Net):	
Taxes	5,850,823
Accounts	59,971
Intergovernmental	57,831
Prepays	23,726
Inventory	20,052
Nondepreciable Capital Assets	462,953
Depreciable Capital Assets, Net	<u>36,732,775</u>
 Total Assets	 <u>47,298,547</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	229,758
	<u>4,639,472</u>
 Total Deferred Outflows of Resources	 <u>4,869,230</u>
 Liabilities:	
Accounts Payable	289,811
Accrued Wages and Benefits	1,276,595
Accrued Interest Payable	32,670
Long-Term Liabilities:	
Due Within One Year	850,586
Due In More Than One Year:	
Net Pension Liability	25,507,827
Other Amounts	<u>7,421,617</u>
 Total Liabilities	 <u>35,379,106</u>
 Deferred Inflows of Resources:	
Property Taxes	5,350,635
Pension	<u>1,561,813</u>
 Total Deferred Inflows of Resources	 <u>6,912,448</u>
 Net Position:	
Net Investment in Capital Assets	30,446,191
Restricted for:	
Debt Service	812,867
Federal Grants	9,534
Classroom Facilities Maintenance	59,508
District Managed Student Activities	127,410
Unrestricted	<u>(21,579,287)</u>
 Total Net Position	 <u><u>\$9,876,223</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
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
Governmental Activities:				
Instruction:				
Regular	\$8,571,930	\$1,085,982	\$53,610	(\$7,432,338)
Special	2,369,002	192,829	985,333	(1,190,840)
Vocational	19,140	0	15,327	(3,813)
Other	1,174,441	0	15,328	(1,159,113)
Support Services:				
Pupil	1,161,233	0	4,000	(1,157,233)
Instructional Staff	493,378	0	0	(493,378)
General Administration	34,052	0	0	(34,052)
School Administration	1,265,158	0	0	(1,265,158)
Fiscal	487,797	0	579	(487,218)
Operations and Maintenance	1,751,629	10,425	45,149	(1,696,055)
Pupil Transportation	996,314	0	19,766	(976,548)
Operation of Non-Instructional Services	601,713	340,715	250,743	(10,255)
Extracurricular Activities	738,365	314,361	0	(424,004)
Interest and Fiscal Charges	318,236	0	0	(318,236)
Total Governmental Activities	19,982,388	1,944,312	1,389,835	(16,648,241)
General Revenues:				
Property Taxes Levied for:				
				5,085,947
				89,508
				492,018
				9,106,310
				9,562
				26,032
				19,275
				233,920
Total General Revenues				15,062,572
				(1,585,669)
				11,461,892
				\$9,876,223

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,063,689	\$784,690	\$242,037	\$4,090,416
Receivables (Net):				
Taxes	5,245,028	513,525	92,270	5,850,823
Accounts	53,124	0	6,847	59,971
Intergovernmental	0	0	57,831	57,831
Prepays	22,038	0	1,688	23,726
Inventory	0	0	20,052	20,052
Total Assets	8,383,879	1,298,215	420,725	10,102,819
Liabilities:				
Accounts Payable	257,199	0	32,612	289,811
Accrued Wages and Benefits	1,175,257	0	101,338	1,276,595
Compensated Absences	30,099	0	0	30,099
Total Liabilities	1,462,555	0	133,950	1,596,505
Deferred Inflows of Resources:				
Property Taxes	4,967,179	486,302	87,384	5,540,865
Grants and Other Taxes	0	0	9,498	9,498
Total Deferred Inflows of Resources	4,967,179	486,302	96,882	5,550,363
Fund Balances:				
Nonspendable	22,038	0	1,688	23,726
Restricted	0	811,913	187,119	999,032
Assigned	660,604	0	31,268	691,872
Unassigned	1,271,503	0	(30,182)	1,241,321
Total Fund Balances	1,954,145	811,913	189,893	2,955,951
Total Liabilities, Deferred Inflows and Fund Balances	\$8,383,879	\$1,298,215	\$420,725	\$10,102,819

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balance		\$2,955,951
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		37,195,728
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	190,230	
Intergovernmental	<u>9,498</u>	
		199,728
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.		
		(32,670)
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		(872,122)
Deferred outflow of resources associated with long-term liabilities are not reported in the funds.		
		229,758
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	4,639,472	
Deferred inflows of resources related to pensions	<u>(1,561,813)</u>	
		3,077,659
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(25,507,827)	
Other Amounts	<u>(7,369,982)</u>	
		<u>(32,877,809)</u>
Net Position of Governmental Activities		<u>\$9,876,223</u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$5,085,947	\$492,018	\$89,508	\$5,667,473
Tuition and Fees	1,260,811	0	0	1,260,811
Investment Earnings	19,275	0	0	19,275
Intergovernmental	9,577,763	68,370	908,982	10,555,115
Extracurricular Activities	48,037	0	191,609	239,646
Charges for Services	0	0	415,430	415,430
Other Revenues	166,627	0	99,313	265,940
Total Revenues	16,158,460	560,388	1,704,842	18,423,690
Expenditures:				
Current:				
Instruction:				
Regular	6,823,763	0	46,414	6,870,177
Special	1,811,679	0	540,958	2,352,637
Vocational	19,140	0	0	19,140
Other	1,174,441	0	0	1,174,441
Support Services:				
Pupil	1,158,770	0	6,885	1,165,655
Instructional Staff	451,631	0	0	451,631
General Administration	34,030	0	0	34,030
School Administration	1,271,703	0	0	1,271,703
Fiscal	462,784	12,113	2,187	477,084
Operations and Maintenance	1,436,342	0	317,456	1,753,798
Pupil Transportation	1,118,025	0	0	1,118,025
Operation of Non-Instructional Services	2,241	0	578,627	580,868
Extracurricular Activities	383,904	0	281,575	665,479
Capital Outlay	0	0	44,445	44,445
Debt Service:				
Principal Retirement	580,380	430,000	0	1,010,380
Interest and Fiscal Charges	39,121	196,938	0	236,059
Total Expenditures	16,767,954	639,051	1,818,547	19,225,552
Excess of Revenues Over (Under) Expenditures	(609,494)	(78,663)	(113,705)	(801,862)
Other Financing Sources (Uses):				
Proceeds of Capital Leases	427,912	0	0	427,912
Proceeds from Sale of Capital Assets	10,429	0	0	10,429
Issuance of Long-Term Capital-Related Debt	149,000	0	0	149,000
Transfers In	0	0	127,733	127,733
Transfers (Out)	(127,733)	0	0	(127,733)
Total Other Financing Sources (Uses)	459,608	0	127,733	587,341
Net Change in Fund Balance	(149,886)	(78,663)	14,028	(214,521)
Fund Balance - Beginning of Year	2,104,031	890,576	175,865	3,170,472
Fund Balance - End of Year	\$1,954,145	\$811,913	\$189,893	\$2,955,951

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 for the Fiscal Year Ended June 30, 2017

Net Change in Fund Balance - Total Governmental Funds (\$214,521)

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	314,171	
Depreciation Expense	<u>(1,786,628)</u>	(1,472,457)

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. (4,461)

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	1,281,316	
Cost of benefits earned net of employee contributions	<u>(1,399,954)</u>	(118,638)

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

Intergovernmental		(32,939)
-------------------	--	----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,010,380

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. (999)

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	(93,944)	
Amortization of Bond Premium	30,253	
Amortization of Deferred Charge on Refunding	(19,147)	
Bond Accretion	<u>(92,284)</u>	(175,122)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (576,912)

Change in Net Position of Governmental Activities (\$1,585,669)

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$76,030	\$25,702
Total Assets	<u>76,030</u>	<u>25,702</u>
Liabilities:		
Accounts Payable	0	1,822
Other Liabilities	<u>0</u>	<u>23,880</u>
Total Liabilities	<u>0</u>	<u>\$25,702</u>
Net Position:		
Held in Trust	<u>76,030</u>	
Total Net Position	<u><u>\$76,030</u></u>	

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Investment Earnings	\$1,395
Other	335
Total Additions	<u>1,730</u>
Deductions:	
Other	<u>165</u>
Total Deductions	<u>165</u>
Change in Net Position	1,565
Net Position - Beginning of Year	<u>74,465</u>
Net Position - End of Year	<u><u>\$76,030</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

Note 1 - Description of the School District

The Clinton-Massie Local School District (the "District") was originally organized in 1959. The District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District's two instructional facilities (High/Middle School and Elementary School) and one support facility (bus garage) staffed by 87 non-certified and 110 certified teaching personnel and 11 administrative employees to provide service to 1,852 students and other community members.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

Reporting Entity

The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District.

Jointly Governed Organizations

Southwest Ohio Computer Association (SWOCA)

SWOCA is a jointly governed organization among a three-county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge, dependent upon the software package utilized.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

The Governing Board of SWOCA is comprised of the superintendent of each of the member districts, plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from Donna Davis Norris, who serves as Director, at 3611 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust (EPC)

The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (EPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products, including BWC coverage, to provide health benefits to participants at a lower rate than if the individual districts acted independently. Currently, Clinton-Massie participates in the Health Benefit Plan, Dental Benefit Plan and the Life Insured Benefit Plan. As a member of the Health and Dental Plans, each district pays a monthly premium to the Trust fund for insurance coverage, which is provided by Anthem and Delta Dental, respectively. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. Financial information can be obtained at EPC Benefits Office, 303 Corporate Center Drive Suite 208, Vandalia, OH 45377-1171.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

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

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

Proprietary Fund

Proprietary funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector. The District has no proprietary funds.

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. The District's only trust fund is a private-purpose trust, which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and athletic tournaments.

Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value are 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, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and 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 fiscal year end: property taxes available as an advance, grants, and other taxes.

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 statements of net position. (See Note 11 for more pension related information)

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, pension and grants. 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. Grants have been recorded as deferred inflows the governmental fund financial statements. Deferred inflows of resources related to pensions are reported on the government-wide statement of net position. (See Note 11 for more pension related information)

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are to be repaid. However, the District elected to budget these temporary resources anyway. 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 at the level of control selected by Board. The legal level of control has been established by Board at the fund level of expenditures. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 District Treasurer. On the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis), on page 55-57, 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 of the budgetary statement reflect the amounts on the final 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 the Board during fiscal year 2017.

Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2017, investments were limited to federally insured negotiable certificates of deposits and money market funds.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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, are reported at cost.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$19,275.

An analysis of the District's investment account at year end is provided in Note 4.

Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the fund statements and on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is the value of the donated commodities which is equally offset by a restricted fund balance in the governmental funds.

Capital Assets

General capital assets 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 deductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains its capitalization threshold at \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

(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

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

<u>VACATION</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How earned	Not eligible	20 days at start of each contract year	10-20 days depending on length of service
Maximum accumulation	Not applicable	2 years	1 year
Vested	Not applicable	As earned	As earned
Termination entitlement	Not applicable	Unused balance upon termination	Unused balance upon termination
<u>SICK LEAVE</u>			
How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)

**Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017**

Maximum accumulation	Unlimited	Unlimited	Unlimited
Vested	As earned	As earned	As earned
Termination entitlement	Per contract	Per policy	Per policy

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, net pension liabilities and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements when they mature or, for pension contributions, when the service is rendered. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

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

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$1,009,319 in restricted net position, none were restricted by enabling legislation.

Estimates

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

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 and are eliminated on the statement of activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Prepaid Items

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

Unamortized Bond Premium and Deferred Amounts on Refunding

In the government-wide financial statements bond premiums and deferred amounts on refunding are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Deferred amounts on refunding are recorded as deferred outflows of resources and amortized over the term of the related debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 3 – Accountability

Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

Fund	Deficit
Other Governmental Funds:	
Special Education	\$7,557
Title I	3,185
Food Service	17,752

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the nonmajor governmental funds result from adjustments for accrued liabilities.

Note 4 - 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 combined balance sheet as "Equity in Pooled Cash and Investments."

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

Active Monies - 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 five year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

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

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

- (7) Commercial paper and banker's acceptances, which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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 District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2017, the carrying amount of the District's deposits was \$2,232,524 and the bank balance was \$2,277,911. The Federal Deposit Insurance Corporation (FDIC) covered \$500,000 of the bank balance and \$1,777,911 was uninsured.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

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

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Negotiable CDs	\$1,932,171	Level 2	2.90
Money Market Funds	27,453	Level 1	0.00
	<u>\$1,959,624</u>		
Portfolio Weighted Average Maturity			2.86

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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. Money Market Funds and Negotiable CDs are not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 98.6% in Negotiable CDs, and 1.4% in Money Market Funds.

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

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property and public utility property located in the District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value.

The District receives property taxes from Clinton and Warren County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$277,849 in the general fund, \$27,223 in the debt service fund and \$4,886 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred. The assessed values upon which the fiscal year 2017 taxes were collected are:

	2017 First Half Collections		2016 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$255,306,490	92.28%	\$253,627,840	92.62%
Public utility personal	21,363,030	7.72%	20,198,300	7.38%
Total	<u>\$276,669,520</u>	<u>100.00%</u>	<u>\$273,826,140</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.25		\$30.25	

Note 6 – Receivables

Receivables at June 30, 2017 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. 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. A summary of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$5,850,823
Accounts	59,971
Intergovernmental	<u>57,831</u>
Total	<u>\$5,968,625</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

Note 7 - Capital Assets

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$462,953	\$0	\$0	\$462,953
Capital Assets, being depreciated:				
Land Improvements	2,580,524	0	0	2,580,524
Buildings and Improvements	52,466,371	66,933	0	52,533,304
Equipment	2,421,176	40,361	16,276	2,445,261
Vehicles	1,635,192	206,877	0	1,842,069
Totals at Historical Cost	<u>59,566,216</u>	<u>314,171</u>	<u>16,276</u>	<u>59,864,111</u>
Less Accumulated Depreciation:				
Land Improvements	1,490,453	111,594	0	1,602,047
Buildings and Improvements	16,680,239	1,417,491	0	18,097,730
Equipment	1,599,650	137,583	11,815	1,725,418
Vehicles	1,123,228	119,960	0	1,243,188
Total Accumulated Depreciation	<u>20,893,570</u>	<u>1,786,628</u>	<u>11,815</u>	<u>22,668,383</u>
Governmental Activities Capital Assets, Net	<u>\$38,672,646</u>	<u>(\$1,472,457)</u>	<u>\$4,461</u>	<u>\$37,195,728</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,616,250
Special	2,082
Support Services:	
Instructional Staff	4,857
School Administration	1,190
Fiscal	5,935
Operations and Maintenance	19,137
Pupil Transportation	44,153
Operation of Non-Instructional Services	17,419
Extracurricular Activities	75,605
Total Depreciation Expense	<u>\$1,786,628</u>

Note 8 - Capitalized Leases - Lessee Disclosure

During the fiscal year, the District entered into capitalized leases for computers and vehicles. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular and pupil transportation functions expenditures on the budgetary statements.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2017:

<u>Fiscal Year Ending June 30,</u>	
2018	\$218,095
2019	159,357
2020	<u>112,250</u>
Total minimum lease payments	489,702
Less amount representing interest	<u>(28,334)</u>
Total	<u>\$461,368</u>

Note 9 - Long-Term Obligations

During the fiscal year 2017, the following changes occurred in governmental activities long-term obligations:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
General obligation bonds:					
Qualified School Construction Bonds	\$300,000	\$0	(\$30,000)	\$270,000	\$30,000
Current Interest Bonds	5,355,000	0	(430,000)	4,925,000	435,000
Capital Appreciation Bonds	274,995	0	0	274,995	0
Accretion of Interest	298,403	92,284	0	390,687	0
Refunding - Premium	366,360	0	(28,181)	338,179	0
HB264 #1	615,000	0	(50,000)	565,000	50,000
HB264 Premium	22,797	0	(2,072)	20,725	0
HB264 - 30,000 Gallon Tank	0	149,000	(24,972)	124,028	49,944
Subtotal Bonds	<u>7,232,555</u>	<u>241,284</u>	<u>(565,225)</u>	<u>6,908,614</u>	<u>564,944</u>
Capital Lease	508,864	427,912	(475,408)	461,368	201,925
Compensated Absences	778,178	210,979	(86,936)	902,221	83,717
Subtotal Others Amounts	<u>8,519,597</u>	<u>880,175</u>	<u>(1,127,569)</u>	<u>8,272,203</u>	<u>850,586</u>
Net Pension Liability:					
STRS	17,898,486	2,664,177	0	20,562,663	0
SERS	3,834,703	1,110,461	0	4,945,164	0
Total Net Pension Liability	<u>21,733,189</u>	<u>3,774,638</u>	<u>0</u>	<u>25,507,827</u>	<u>0</u>
Total Long-Term Obligations	<u>\$30,252,786</u>	<u>\$4,654,813</u>	<u>(\$1,127,569)</u>	<u>\$33,780,030</u>	<u>\$850,586</u>

Compensated Absences: Compensated absences will be paid from the funds from which the person is paid, which, for the District, are primarily the general fund, food service fund (a nonmajor governmental fund), the Title VI-B fund (a nonmajor governmental fund) and the Title I fund (a nonmajor governmental fund).

Capital Lease Obligations: Capital lease obligations are paid from the general fund (See Note 8).

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

HB264 Bonds: The District issued \$796,564 in energy conservations bonds on August 8, 2012 for energy conservation throughout the district. The interest rate on these bonds ranges from 2.00% to 4.00% and will mature on June 1, 2027. Principal and interest are paid from the general fund.

During the HB264 project Energy Optimizers put in one large 30,000 tank on the property. Energy Optimizers fronted the cost and the District was to repay if/when the project showed a savings. In January of 2017, the project showed savings and the District is now repaying \$149,000 over a three year period.

Qualified School Construction Bonds: The Qualified School Construction Bonds were issued on November 6, 2009 and bear an interest rate of 1.85%. The bonds mature on September 15, 2024. Principal and interest are paid from the general fund.

2011 Refunding Bonds: In June 2011, the District advance refunded \$7,064,995 in school improvement bonds that were originally for the purpose of new construction, improvements, renovations, and additions to school facilities, including the construction of a new high school, and providing equipment, furnishings and site improvements. The \$507,265 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt, which has a final maturity date of December 1, 2028. The debt will be retired from the debt service fund.

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$7,064,995 issued, \$6,790,000 represents current interest bonds and \$274,995 are capital appreciation bonds. The current interest bonds mature at varying amounts through December 1, 2028. The capital appreciation bonds will mature in fiscal years 2019 and 2020.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$564,944	\$211,381	\$776,325	\$0	\$0	\$0
2019	129,944	22,662	152,606	146,970	479,255	626,225
2020	109,140	20,562	129,702	128,025	503,201	631,226
2021	540,000	190,639	730,639	0	0	0
2022	560,000	169,941	729,941	0	0	0
2023-2027	3,035,000	508,143	3,543,143	0	0	0
2028-2029	945,000	34,800	979,800	0	0	0
Total	<u>\$5,884,028</u>	<u>\$1,158,128</u>	<u>\$7,042,156</u>	<u>\$274,995</u>	<u>\$982,456</u>	<u>\$1,257,451</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Note 10 - Risk Management

Comprehensive

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 Arthur J Gallagher & Co., through the Southwestern Ohio Educational Purchasing Council for property, general liability and auto insurance.

Professional liability is protected by Arthur J. Gallagher, with \$1,000,000 each occurrence, \$3,000,000 aggregate limit. Vehicles are covered with \$1,000 deductible for comprehensive and \$1,000 deductible for collision.

Public officials' bond insurance is provided by Phillips Insurance. The Treasurer is covered by a bond in the amount of \$15,000.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was no significant reduction in coverage from the prior year.

Note 11 - 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.

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

benefits, and Medicare B was 14 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$318,065 for fiscal year 2017. Of this amount \$79,058 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.

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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. 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 \$963,252 for fiscal year 2017. Of this amount \$171,992 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	\$4,945,164	\$20,562,663	\$25,507,827
Proportion of the Net Pension Liability			
Prior Measurement Date	0.06720360%	0.06476259%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.06756540%</u>	<u>0.06143057%</u>	
	0.00036180%	-0.00333202%	
Pension Expense	471,188	928,766	1,399,954

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

This Space Intentionally Left Blank

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$66,699	\$830,830	\$897,529
Changes of assumptions	330,116	0	330,116
Net difference between projected and actual earnings on pension plan investments	407,904	1,707,254	2,115,158
Changes in employer proportionate share of net pension liability	15,352	0	15,352
Contributions subsequent to the measurement date	<u>318,065</u>	<u>963,252</u>	<u>1,281,317</u>
Total Deferred Outflows of Resources	<u>\$1,138,136</u>	<u>\$3,501,336</u>	<u>\$4,639,472</u>
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	<u>\$88,642</u>	<u>\$1,473,171</u>	<u>\$1,561,813</u>
Total Deferred Inflows of Resources	<u>\$88,642</u>	<u>\$1,473,171</u>	<u>\$1,561,813</u>

\$1,281,317 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	\$165,398	(\$26,193)	\$139,205
2019	165,104	(26,194)	138,910
2020	283,672	628,927	912,599
2021	<u>117,255</u>	<u>488,373</u>	<u>605,628</u>
Total	<u>\$731,429</u>	<u>\$1,064,913</u>	<u>\$1,796,342</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.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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 (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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:

This Space Intentionally Left Blank

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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 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	\$6,547,089	\$4,945,164	\$3,604,286

Actuarial Assumptions - STRS

The total pension liability in the June 30, 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.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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:

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 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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	\$27,326,109	\$20,562,663	\$14,857,299

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.

Note 12 - Post Employment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$37,785.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$37,785, \$34,421, and \$55,987, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 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 13 – Contingencies

Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District, if applicable, cannot be determined at this time.

Litigation

The District is involved in no material litigation as either plaintiff or defendant.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

Note 14 - Statutory Reserves

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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2017, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2016	\$0
Current Year Set Aside Requirements	306,856
Qualified Disbursements	(311,230)
Prior Year Offsets from Bond Proceeds	0
Set Aside Reserve Balance as of June 30, 2017	<u>(\$4,374)</u>
Restricted Cash as of June 30, 2017	<u>\$0</u>

During fiscal year 2013, the District issued \$796,564 in capital related debt. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$661,027 at June 30, 2017.

Note 15 - Interfund Transactions

Interfund transactions at June 30, 2017, consisted of the following funds for transfers in and out:

	Transfers	
	In	Out
General Fund	\$0	\$127,733
Other Governmental Funds	<u>127,733</u>	<u>0</u>
Total All Funds	<u>\$127,733</u>	<u>\$127,733</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 budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 16 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$22,038	\$0	\$1,688	\$23,726
Total Nonspendable	22,038	0	1,688	23,726
Restricted for:				
Classroom Facilities Maintenance	0	0	56,488	56,488
Student Activity	0	0	127,410	127,410
Vocational Education	0	0	400	400
Idea Preschool Grant	0	0	476	476
Improving Teacher Quality	0	0	2,345	2,345
Debt Service	0	811,913	0	811,913
Total Restricted	0	811,913	187,119	999,032
Assigned to:				
Permanent Improvement	0	0	31,268	31,268
Budgetary Resource	517,344	0	0	517,344
Public School	16,804	0	0	16,804
Encumbrances	126,456	0	0	126,456
Total Assigned	660,604	0	31,268	691,872
Unassigned (Deficit)	1,271,503	0	(30,182)	1,241,321
Total Fund Balance	\$1,954,145	\$811,913	\$189,893	\$2,955,951

Note 17 – 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 (See Note 19).

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2017

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 18 – Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General Fund	\$181,416
Other Governmental Funds	53,638
Total	<u><u>\$235,054</u></u>

Note 19 – Tax Abatements

As of June 30, 2017, the District has taxes abated on its behalf of Warren County for a CRA agreement.

<u>Tax Abatement Programs</u>	<u>District's Share of Taxes Abated</u>
CRA	
Tincher Properties	<u>\$13,338</u>
Total	<u><u>\$13,338</u></u>

The District is receiving \$6,669 from this other government in association with the forgone property tax revenue.

The abatements will be terminated if the property is deemed delinquent, behind on payments, or the terms and conditions of the CRA are not adhered to and no recapture provisions noted.

This Space Intentionally Left Blank

REQUIRED SUPPLEMENTARY INFORMATION

Clinton-Massie Local 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	0.06143057%	0.06476259%	0.06894292%	0.06894292%
District's Proportionate Share of the Net Pension Liability	\$20,562,663	\$17,898,486	\$16,769,304	\$19,975,486
District's Covered-Employee Payroll	\$6,471,343	\$6,808,800	\$7,585,915	\$7,879,569
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	317.75%	262.87%	221.06%	253.51%
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

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

Clinton-Massie Local 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	0.06756540%	0.06720360%	0.07014700%	0.07014700%
District's Proportionate Share of the Net Pension Liability	\$4,945,164	\$3,834,703	\$3,550,100	\$4,171,417
District's Covered-Employee Payroll	\$2,510,229	\$2,656,571	\$2,058,925	\$2,394,971
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	197.00%	144.35%	172.42%	174.17%
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

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

Clinton-Massie Local 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	\$963,252	\$905,988	\$953,232	\$986,169	\$1,024,344	\$999,720	\$961,152	\$1,007,976	\$1,008,732	\$938,232
Contributions in Relation to the Contractually Required Contribution	(963,252)	(905,988)	(953,232)	(986,169)	(1,024,344)	(999,720)	(961,152)	(1,007,976)	(1,008,732)	(938,232)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$6,880,371	\$6,471,343	\$6,808,000	\$7,585,915	\$7,879,569	\$6,272,024	\$6,177,417	\$6,116,392	\$6,136,607	\$5,876,423
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	15.94%	15.56%	16.48%	16.44%	15.97%

Clinton-Massie Local 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	\$318,064	\$351,432	\$350,136	\$285,367	\$331,464	\$306,792	\$335,400	\$331,956	\$341,220	\$322,980
Contributions in Relation to the Contractually Required Contribution	(318,064)	(351,432)	(350,136)	(285,367)	(331,464)	(306,792)	(335,400)	(331,956)	(341,220)	(322,980)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$2,271,886	\$2,510,229	\$2,656,571	\$2,058,925	\$2,394,971	\$1,907,031	\$1,851,023	\$1,966,059	\$2,057,631	\$2,000,888
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	16.09%	18.12%	16.88%	16.58%	16.14%

Clinton-Massie Local School District
Required Supplementary Information
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	\$5,002,119	\$5,085,997	\$5,085,997	\$0
Tuition and Fees	1,236,151	1,256,879	1,256,879	0
Investment Earnings	19,290	19,613	19,613	0
Intergovernmental	9,420,338	9,578,303	9,578,303	0
Other Revenues	132,561	134,784	134,784	0
Total Revenues	<u>15,810,459</u>	<u>16,075,576</u>	<u>16,075,576</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,730,206	6,915,132	6,801,535	113,597
Special	1,759,182	1,807,519	1,777,826	29,693
Vocational	18,939	19,460	19,140	320
Other	1,184,286	1,216,826	1,196,837	19,989
Support Services:				
Pupil	983,147	1,010,161	993,567	16,594
Instructional Staff	447,144	459,430	451,883	7,547
General Administration	38,331	39,384	38,737	647
School Administration	1,231,555	1,265,394	1,244,607	20,787
Fiscal	470,394	483,319	475,379	7,940
Operations and Maintenance	1,443,835	1,483,507	1,459,137	24,370
Pupil Transportation	1,186,488	1,219,089	1,199,063	20,026
Extracurricular Activities	388,943	399,630	393,065	6,565
Operation of Non-Instructional Services	2,258	2,320	2,282	38
Debt Service:				
Principal Retirement	104,972	104,972	104,972	0
Interest and Fiscal Charges	26,273	26,273	26,273	0
Total Expenditures	<u>16,015,953</u>	<u>16,452,416</u>	<u>16,184,303</u>	<u>268,113</u>
Excess of Revenues Over (Under) Expenditures	<u>(205,494)</u>	<u>(376,840)</u>	<u>(108,727)</u>	<u>268,113</u>
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	10,257	10,429	10,429	0
Transfers In	85	86	86	0
Transfers (Out)	(122,833)	(126,208)	(124,135)	2,073
Total Other Financing Sources (Uses)	<u>(112,491)</u>	<u>(115,693)</u>	<u>(113,620)</u>	<u>2,073</u>
Net Change in Fund Balance	(317,985)	(492,533)	(222,347)	270,186
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	3,071,063	3,071,063	3,071,063	0
Fund Balance - End of Year	<u>\$2,753,078</u>	<u>\$2,578,530</u>	<u>\$2,848,716</u>	<u>\$270,186</u>

See accompanying notes to the required supplementary information.

Clinton-Massie Local School District
Required Supplementary Information
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 the Board. The legal level of control has been established by the Board at the fund level. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 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 the Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) 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 and other financial sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses 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 an assignment 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.

**Clinton-Massie Local School District
Required Supplementary Information
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2017**

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$149,886)
Revenue Accruals	(82,235)
Expenditure Accruals	764,134
Proceeds of Capital Leases	(427,912)
Issuance of LT Capital-Related Debt	(149,000)
Transfers In	86
Transfers (Out)	3,598
Encumbrances	(175,694)
Funds Budgeted Elsewhere	<u>(5,438)</u>
Budget Basis	<u><u>(\$222,347)</u></u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the underground storage tank fund, and the public school support fund.

This Space Intentionally Left Blank

SUPPLEMENTARY INFORMATION

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(C) (D) School Breakfast Program	10.553	2017	\$ 37,166
(C) (D) National School Lunch Program	10.555	2017	168,703
(D) (E) National School Lunch Program - Donations	10.555	2017	41,236
Total National School Lunch Program			209,939
Total U.S. Department of Agriculture and Child Nutrition Cluster			247,105
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2016	20,304
Title I Grants to Local Educational Agencies	84.010	2017	214,938
Total Title I Grants to Local Educational Agencies			235,242
Special Education Cluster:			
(F) Special Education Grants to States	84.027	2016	23,931
(F) Special Education Grants to States	84.027	2017	291,203
Total Special Education Grants to States			315,134
(F) Special Education Preschool Grants	84.173	2016	410
(F) Special Education Preschool Grants	84.173	2017	3,172
Total Special Education Preschool Grants			3,582
Total Special Education Cluster			318,716
Improving Teacher Quality State Grants	84.367	2016	4,394
Improving Teacher Quality State Grants	84.367	2017	45,865
Total Improving Teacher Quality State Grants			50,259
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE GREAT OAK INSTITUTE OF TECHNOLOGY & CAREER DEVELOPMENT			
Career and Technical Education Basic Grants to States	84.048	2016	3,603
Career and Technical Education Basic Grants to States	84,048	2017	3,600
Total Career and Technical Education Basic Grants to States			7,203
Total U.S. Department of Education			611,420
Total Federal Financial Assistance			\$ 858,525

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2017
- (B) This schedule includes the federal award activity of the Clinton-Massie Local School District under programs of the federal government for the fiscal year ended June 30, 2017 and is prepared in accordance with the cash basis of accounting. 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 Clinton-Massie Local School District, it is not intended to and does not present the financial position or changes in net position, of the Clinton-Massie Local School District.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Special Education Cluster" in determining major programs.
- (G) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Clinton-Massie Local School District
Clinton County
2556 Lebanon Road
Clarksville, Ohio 45113

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, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Clinton-Massie Local School District's basic financial statements and have issued our report thereon dated December 22, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Clinton-Massie Local School 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Clinton-Massie Local School 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 Clinton-Massie Local School 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.

Board of Education
Clinton-Massie Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Clinton-Massie Local School 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 Clinton-Massie Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Clinton-Massie Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 22, 2017



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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**

Clinton-Massie Local School District
Clinton County
2556 Lebanon Road
Clarksville, Ohio 45113

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Clinton-Massie Local School District's 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 Clinton-Massie Local School District's major federal program for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Clinton-Massie Local School District's major federal program.

Management's Responsibility

The Clinton-Massie Local School 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 Clinton-Massie Local School District's compliance for the Clinton-Massie Local School District's major federal program 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 Clinton-Massie Local School 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 Clinton-Massie Local School District's major program. However, our audit does not provide a legal determination of the Clinton-Massie Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Clinton-Massie Local 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 fiscal year ended June 30, 2017.

Board of Education
Clinton-Massie Local School District

Report on Internal Control Over Compliance

The Clinton-Massie Local School 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 Clinton-Massie Local School 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 Clinton-Massie Local School 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.



Julian & Grube, Inc.
December 22, 2017

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

**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



Dave Yost • Auditor of State

CLINTON MASSIE LOCAL SCHOOL DISTRICT

CLINTON 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
FEBRUARY 20, 2018