

MIAMI TRACE LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2017

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Miami Trace Local School District
3818 State Route 41 NW
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of the Miami Trace Local School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., 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. The Miami Trace 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 2, 2018

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TABLE OF CONTENTS

Independent Auditors' Report	1 - 3	
Management's Discussion and Analysis	4 - 13	
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Position	14	
Statement of Activities	15	
Fund Financial Statements		
Balance Sheet – Governmental Funds	16 - 17	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18 - 19	
Statement of Fiduciary Net Position – Fiduciary Funds	20	
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	21	
Notes to Basic Financial Statements	22 - 50	
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) - General Fund		52
Notes to the Required Supplementary Information	53 - 54	
Schedules of the District's Proportionate Share of Net Pension Liability	55 - 56	
Schedules of District Contributions.....	57 - 60	
Additional Information:		
Schedule of Expenditures of Federal Awards.....	61	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62 - 63	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance	64 - 65	
Schedule of Findings and Questioned Costs	66 - 67	

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Miami Trace Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with 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 that the management's discussion and analysis, the budgetary comparison information and schedules of net pension liabilities and pension contributions on pages 4 through 13, and 52 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Miami Trace Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 8, 2017 on our consideration of Miami Trace Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 Miami Trace Local School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 8, 2017

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

The discussion and analysis of Miami Trace 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 notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of governmental activities increased \$2,801,891 which represents an 11% increase from 2016.
- General revenues accounted for \$30,959,788 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,336,053 or 19% of total revenues of \$38,295,841.
- The District had \$35,493,950 in expenses related to governmental activities; \$7,336,053 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$30,959,788 were also used to provide for these programs.

Overview of the Financial Statements

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. 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 a more detailed look at financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General and Classroom Facilities Funds 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 question, "How did we do financially during 2017?" The Government-wide Financial Statements answers this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Miami Trace 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 District consists of one activity:

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

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The District as a Whole

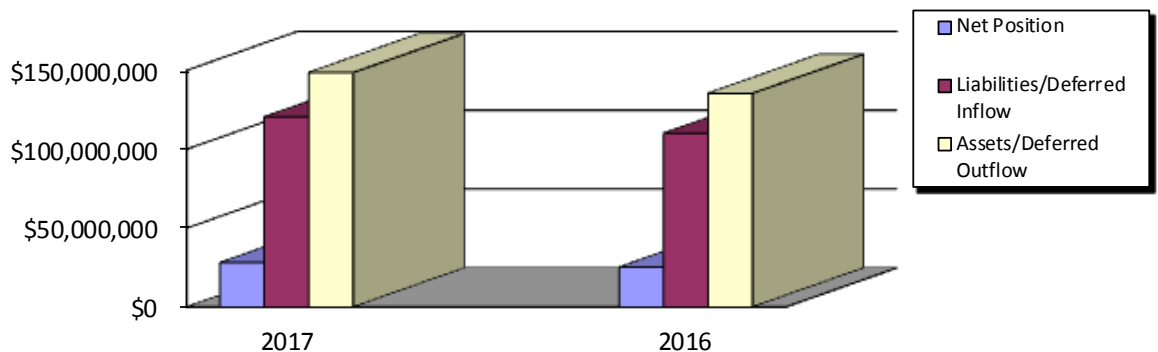
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2017 compared to fiscal year 2016:

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**Miami Trace 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	\$84,759,717	\$85,121,864
Capital Assets	53,241,426	44,030,976
Total Assets	138,001,143	129,152,840
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	2,477,965	2,643,260
	8,100,630	3,624,043
Total Deferred Outflows of Resources	10,578,595	6,267,303
Liabilities:		
Other Liabilities	7,618,937	3,668,345
Long-Term Liabilities	101,201,531	94,266,040
Total Liabilities	108,820,468	97,934,385
Deferred Inflows of Resources:		
Property Taxes	11,153,616	9,565,067
Revenue in Lieu of Taxes	515,255	479,653
Pension	0	2,152,530
Total Deferred Inflows of Resources	11,668,871	12,197,250
Net Position:		
Net Investment in Capital Assets	23,658,245	17,521,184
Restricted	18,721,501	21,969,328
Unrestricted (Deficit)	(14,289,347)	(14,202,004)
Total Net Position	\$28,090,399	\$25,288,508



**Miami Trace 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 \$28,090,399.

At year-end, capital assets represented 39% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2017, were \$23,658,245. 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, \$18,721,501, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets decreased mainly due to the decrease in intergovernmental receivables, due to less receivables related to the OFCC project. Total assets for the District increased mainly due a large increase in capital assets for the year. Capital assets increased due to the continued improvements and additions being made to the high school project. Long-Term Liabilities increased mainly due to the increase in Net Pension Liability.

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

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**Miami Trace 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	\$3,998,101	\$3,273,093
Operating Grants and Contributions	3,337,952	3,373,836
General Revenues:		
Property Taxes	17,717,416	17,772,881
Grants and Entitlements	12,037,436	21,818,595
Other	1,204,936	1,672,070
Total Revenues	<u>38,295,841</u>	<u>47,910,475</u>
Program Expenses:		
Instruction	18,067,255	16,330,244
Support Services:		
Pupil and Instructional Staff	3,368,087	2,917,455
School Administrative, General Administration, Fiscal and Business	4,253,537	3,927,069
Operations and Maintenance	2,599,779	2,310,333
Pupil Transportation	2,535,868	2,227,500
Central	156,292	175,854
Operation of Non-Instructional Services	1,422,551	1,270,512
Extracurricular Activities	639,067	667,793
Interest and Fiscal Charges	2,451,514	1,897,345
Bond Issuance Cost	0	432,456
Total Program Expenses	<u>35,493,950</u>	<u>32,156,561</u>
Change in Net Position	2,801,891	15,753,914
Net Position - Beginning of Year	<u>25,288,508</u>	<u>9,534,594</u>
Net Position - End of Year	<u>\$28,090,399</u>	<u>\$25,288,508</u>

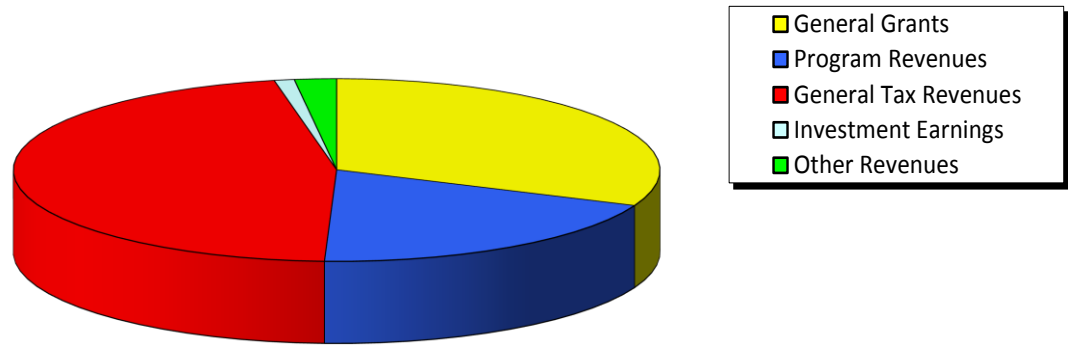
The District revenues are mainly from two sources. Property taxes levied for general, classroom maintenance, debt service purposes, and capital projects purposes and grants and entitlements (not restricted) comprised 78% of the District's revenues for governmental activities.

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.

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

Thus, Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 46% of revenue for governmental activities for the District in fiscal year 2017.

	2017	Percentage
General Grants	\$12,037,436	31.40%
Program Revenues	7,336,053	19.20%
General Tax Revenues	17,717,416	46.30%
Investment Earnings	389,319	1.00%
Other Revenues	815,617	2.10%
	\$38,295,841	100.00%



Instruction comprises 51% of governmental program expenses. Support services expenses were 36% of governmental program expenses. All other expenses including interest and fiscal charges were 13%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Overall revenues decreased due to the District receiving OFCC monies in 2016 for the high school building project, when compared to 2017. Total expenses increased in 2017 due to an increase in instruction, school administration, and pupil transportation expenses.

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.

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**Miami Trace 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	\$18,067,255	\$16,330,244	(\$12,904,161)	(\$11,861,074)
Support Services:				
Pupil and Instructional Staff	3,368,087	2,917,455	(3,052,702)	(2,692,879)
School Administrative, General				
Administration, Fiscal and Business	4,253,537	3,927,069	(4,073,388)	(3,763,711)
Operations and Maintenance	2,599,779	2,310,333	(2,523,858)	(2,230,227)
Pupil Transportation	2,535,868	2,227,500	(2,431,636)	(2,095,750)
Central	156,292	175,854	(150,892)	(170,454)
Operation of Non-Instructional Services	1,422,551	1,270,512	(253,184)	(92,914)
Extracurricular Activities	639,067	667,793	(316,562)	(272,822)
Interest and Fiscal Charges	2,451,514	1,897,345	(2,451,514)	(1,897,345)
Bond Issuance Cost	0	432,456	0	(432,456)
Total Expenses	<u>\$35,493,950</u>	<u>\$32,156,561</u>	<u>(\$28,157,897)</u>	<u>(\$25,509,632)</u>

The District’s Funds

The District has two major governmental funds: the General Fund and Classroom Facilities Fund. Assets of the major funds comprised \$62,451,720 (73%) of the total \$85,159,004 governmental fund assets.

General Fund: Fund balance at June 30, 2017 was \$21,148,234, an increase in fund balance of \$2,201,329 from 2016. The fund balance increased during the fiscal year due to an increase in intergovernmental and tuition and fees revenues.

Classroom Facilities Fund: Fund balance at June 30, 2017 was \$20,924,490, a decrease in fund balance of \$3,615,583 from 2016. The fund balance decreased during the fiscal year due to an increase of capital outlay expenditures. Capital outlay expenditures increased due to the new construction with the ongoing high school project.

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 when needed. 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 changes in revenues and expenditures.

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

For the General Fund, final budgeted revenue was \$30,151,109, compared to original budgeted estimates of \$27,853,989. Of the \$2,297,120 difference, most was changes to circumstances for tax, tuition and fees, and intergovernmental revenue. Actual budget basis revenue was \$29,910,334, compared to final budgeted revenue was \$30,151,109. Of the \$240,775 difference, most was due to changes in circumstances for taxes and intergovernmental revenue.

Actual budget basis expenditures were \$27,334,736, compared to final budgeted expenditures of \$28,011,310. Of the \$676,574 difference, most was due to changes in circumstances in instruction expenditures. Final budgeted expenditures were \$28,011,310, compared to original budgeted expenditures of \$26,101,011. Of the \$1,910,299 difference, most was due to changes in circumstances in instruction expenditures.

The General Fund’s ending unobligated cash balance was \$12,121,631.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$53,241,426 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$1,527,254	\$1,111,092
Construction in Progress	11,101,954	876,493
Land Improvements	664,840	358,283
Buildings and Improvements	38,072,574	39,621,254
Equipment	<u>1,874,804</u>	<u>2,063,854</u>
Total Net Capital Assets	<u>\$53,241,426</u>	<u>\$44,030,976</u>

The increase in capital assets from the prior year is due to current fiscal year additions being more than current year depreciation expense. The additions increased due to the new high school project additions.

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

Debt

At June 30, 2017, the District had \$57,906,041 in bonds payable, \$1,056,689 due within one year. Table 5 summarizes bonds outstanding at year end.

Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 5
Outstanding Debt, at Year End

	2017	2016
Governmental Activities:		
General Obligation Bonds Payable:		
2008 School Improvement Bonds:		
Capital Appreciation	\$45,766	\$76,401
Capital Appreciation Accreted Interest	203,754	266,882
2009 School Improvements Bonds:		
Current Interest - 4.00-5.25%	0	150,000
Capital Appreciation	34,999	34,999
Capital Appreciation Accreted Interest	220,091	192,048
2013 School Improvement Bonds:		
Current Interest - 1.00-4.00%	9,165,000	9,165,000
Capital Appreciation	18,648	32,454
Capital Appreciation Accreted Interest	110,812	105,541
Premium	554,786	587,421
2014 School Improvement Bonds:		
Current Interest - 1.00-3.00%	4,645,000	4,720,000
Capital Appreciation	0	4,995
Capital Appreciation Accreted Interest	0	215,758
Premium	394,085	443,345
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	6,040,000	6,125,000
Capital Appreciation	49,994	49,994
Capital Appreciation Accreted Interest	164,344	66,212
Premium	891,899	936,494
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	1,260,000	1,280,000
Capital Appreciation	10,542	10,542
Capital Appreciation Accreted Interest	25,073	11,239
Premium	356,181	378,442
2015 Refunding Bonds:		
Current Interest - 1.00-4.00%	2,185,000	2,220,000
Capital Appreciation	24,994	24,994
Capital Appreciation Accreted Interest	59,422	26,632
Premium	349,162	372,439
2016 School Improvement Bonds	29,130,000	29,610,000
Premium	1,966,489	2,021,114
	<u>\$57,906,041</u>	<u>\$59,127,946</u>

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

See Note 7 in the notes to the basic financial statements for further details on the District's outstanding debt.

For the Future

The District has committed itself to financial excellence. With careful planning and monitoring of the District's finances and state and local financial support, management is confident that the District can continue to provide a quality education for its students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer/CFO at Miami Trace Local School District, 3818 SR 41 NW, Washington C. H., Ohio 43160.

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Miami Trace Local School District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$54,537,553
Restricted Cash and Investments	1,731,263
Equity in Pooled Cash and Investments with Fiscal Agent	4,152,856
Receivables (Net):	
Taxes	18,193,238
Accounts	185,439
Interest	24,700
Intergovernmental	5,894,703
Prepays	39,947
Inventory	18
Nondepreciable Capital Assets	12,629,208
Depreciable Capital Assets, Net	<u>40,612,218</u>
 Total Assets	 <u>138,001,143</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding	2,477,965
Pension	<u>8,100,630</u>
 Total Deferred Outflows of Resources	 <u>10,578,595</u>
 Liabilities:	
Accounts Payable	149,913
Accrued Wages and Benefits	2,638,459
Contracts Payable	3,678,447
Retainage Payable	337,151
Accrued Interest Payable	176,167
Claims Payable	615,800
Unearned Revenue - Sponsorship	23,000
Long-Term Liabilities:	
Due Within One Year	1,410,411
Due In More Than One Year	
Net Pension Liability	42,264,413
Other Amounts	<u>57,526,707</u>
 Total Liabilities	 <u>108,820,468</u>
 Deferred Inflows of Resources:	
Property Taxes	11,153,616
Revenue in Lieu of Taxes	<u>515,255</u>
 Total Deferred Inflows of Resources	 <u>11,668,871</u>
 Net Position:	
Net Investment in Capital Assets	23,658,245
Restricted for:	
Debt Service	4,911,739
Capital Projects	9,391,257
Classroom Facilities Maintenance	3,836,547
Federal Grants	299,450
Food Service	190,410
Other Purposes	92,098
Unrestricted (Deficit)	<u>(14,289,347)</u>
 Total Net Position	 <u>\$28,090,399</u>

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$12,441,317	\$2,394,197	\$727,473	(\$9,319,647)
Special	3,099,216	748,827	1,031,197	(1,319,192)
Vocational	154,254	0	12,475	(141,779)
Other	2,372,468	0	248,925	(2,123,543)
Support Services:				
Pupil	1,996,594	0	212,716	(1,783,878)
Instructional Staff	1,371,493	0	102,669	(1,268,824)
General Administration	28,622	0	2,363	(26,259)
School Administration	3,119,442	436	166,704	(2,952,302)
Fiscal	932,922	0	10,646	(922,276)
Business	172,551	0	0	(172,551)
Operations and Maintenance	2,599,779	8,411	67,510	(2,523,858)
Pupil Transportation	2,535,868	36,457	67,775	(2,431,636)
Central	156,292	0	5,400	(150,892)
Operation of Non-Instructional Services	1,422,551	489,440	679,927	(253,184)
Extracurricular Activities	639,067	320,333	2,172	(316,562)
Interest and Fiscal Charges	2,451,514	0	0	(2,451,514)
Totals	\$35,493,950	\$3,998,101	\$3,337,952	(28,157,897)

General Revenues:

Property Taxes Levied for:

General Purposes	13,336,638
Capital Maintenance Purposes	585,794
Debt Service Purposes	3,244,657
Capital Projects Purposes	550,327
Grants and Entitlements, Not Restricted	12,037,436
Revenue in Lieu of Taxes	537,492
Investment Earnings	389,319
Other Revenues	278,125

Total General Revenues 30,959,788

Change in Net Position 2,801,891

Net Position - Beginning of Year 25,288,508

Net Position - End of Year \$28,090,399

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Balance Sheet
Governmental Funds
June 30, 2017

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$13,193,849	\$23,951,465	\$17,392,239	\$54,537,553
Restricted Cash and Investments	1,394,112	307,810	29,341	1,731,263
Equity in Pooled Cash and Investments with Fiscal Agent	4,152,856	0	0	4,152,856
Receivables (Net):				
Taxes	13,584,871	0	4,608,367	18,193,238
Accounts	75,922	0	109,517	185,439
Interest	24,700	0	0	24,700
Intergovernmental	388,710	4,941,896	564,097	5,894,703
Interfund	399,287	0	0	399,287
Prepays	36,242	0	3,705	39,947
Inventory	0	0	18	18
Total Assets	33,250,549	29,201,171	22,707,284	85,159,004
Liabilities:				
Accounts Payable	140,105	0	9,808	149,913
Accrued Wages and Benefits	2,377,271	0	261,188	2,638,459
Compensated Absences	49,322	0	0	49,322
Contracts Payable	0	3,026,975	651,472	3,678,447
Retainage Payable	0	307,810	29,341	337,151
Interfund Payable	0	0	399,287	399,287
Claims Payable	615,800	0	0	615,800
Unearned Revenue - Sponsorship	0	0	23,000	23,000
Total Liabilities	3,182,498	3,334,785	1,374,096	7,891,379
Deferred Inflows of Resources:				
Property Taxes	8,532,925	0	2,954,903	11,487,828
Grants	0	4,941,896	270,562	5,212,458
Revenue in Lieu of Taxes	383,613	0	131,642	515,255
Investment Earnings	3,279	0	0	3,279
Total Deferred Inflows of Resources	8,919,817	4,941,896	3,357,107	17,218,820
Fund Balances:				
Nonspendable	36,242	0	3,705	39,947
Restricted	0	20,924,490	17,766,552	38,691,042
Committed	1,394,112	0	206,421	1,600,533
Assigned	788,415	0	0	788,415
Unassigned	18,929,465	0	(597)	18,928,868
Total Fund Balances	21,148,234	20,924,490	17,976,081	60,048,805
Total Liabilities, Deferred Inflows and Fund Balances	\$33,250,549	\$29,201,171	\$22,707,284	\$85,159,004

See accompanying notes to the basic financial statements.

Miami Trace Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balance		\$60,048,805
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		53,241,426
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	334,212	
Interest	3,279	
Intergovernmental	5,212,458	
		5,549,949
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.		
		(176,167)
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		(981,755)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		2,477,965
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions		8,100,630
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(42,264,413)	
Other Amounts	(57,906,041)	
		(100,170,454)
Net Position of Governmental Activities		<u>\$28,090,399</u>

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$13,381,376	\$0	\$4,390,873	\$17,772,249
Tuition and Fees	3,044,958	0	0	3,044,958
Investment Earnings	(37,510)	276,900	132,040	371,430
Intergovernmental	12,919,575	5,378,155	2,487,107	20,784,837
Extracurricular Activities	191,801	0	265,214	457,015
Charges for Services	1,136	0	494,991	496,127
Revenue in Lieu of Taxes	402,315	0	135,177	537,492
Other Revenues	169,078	0	126,229	295,307
Total Revenues	30,072,729	5,655,055	8,031,631	43,759,415
Expenditures:				
Current:				
Instruction:				
Regular	10,103,840	0	535,079	10,638,919
Special	2,564,934	0	229,136	2,794,070
Vocational	64,368	0	0	64,368
Other	2,117,986	0	233,298	2,351,284
Support Services:				
Pupil	1,490,899	0	203,871	1,694,770
Instructional Staff	1,058,953	0	182,517	1,241,470
General Administration	26,785	0	0	26,785
School Administration	2,500,970	0	166,603	2,667,573
Fiscal	777,115	0	112,709	889,824
Business	157,768	0	0	157,768
Operations and Maintenance	2,156,708	0	100,517	2,257,225
Pupil Transportation	1,968,915	0	97,405	2,066,320
Central	150,892	0	5,400	156,292
Operation of Non-Instructional Services	126,132	0	1,199,556	1,325,688
Extracurricular Activities	313,114	0	294,004	607,118
Capital Outlay	28,450	9,270,638	2,449,813	11,748,901
Debt Service:				
Principal Retirement	0	0	894,436	894,436
Interest and Fiscal Charges	0	0	2,616,480	2,616,480
Total Expenditures	25,607,829	9,270,638	9,320,824	44,199,291
Excess of Revenues Over (Under) Expenditures	4,464,900	(3,615,583)	(1,289,193)	(439,876)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	281	0	16,000	16,281
Transfers In	0	0	2,263,852	2,263,852
Transfers (Out)	(2,263,852)	0	0	(2,263,852)
Total Other Financing Sources (Uses)	(2,263,571)	0	2,279,852	16,281
Net Change in Fund Balance	2,201,329	(3,615,583)	990,659	(423,595)
Fund Balance - Beginning of Year	18,946,905	24,540,073	16,985,422	60,472,400
Fund Balance - End of Year	\$21,148,234	\$20,924,490	\$17,976,081	\$60,048,805

See accompanying notes to the basic financial statements.

Miami Trace Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balance - Total Governmental Funds (\$423,595)

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	11,541,038	
Depreciation Expense	<u>(2,326,817)</u>	
		9,214,221

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. (3,771)

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.

Contractually required district pension contributions	2,118,111	
Pension Expense	<u>(3,603,153)</u>	
		(1,485,042)

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

Delinquent Property Taxes	(65,001)	
Interest	(5,112)	
Intergovernmental	<u>(5,405,971)</u>	
		(5,476,084)

Repayment of bond principal and accreted interest is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 1,585,000

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 2,792

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	(83,240)	
Amortization of Bond Premium	226,653	
Amortization of Deferred Charge on Refunding	(165,295)	
Bond Accretion	<u>(589,748)</u>	
		<u>(611,630)</u>

Change in Net Position of Governmental Activities \$2,801,891

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$454,849	\$131,586
Receivables (Net):		
Accounts	<u>0</u>	<u>2,516</u>
Total Assets	<u>454,849</u>	<u>134,102</u>
Liabilities:		
Accounts Payable	0	16
Other Liabilities	<u>0</u>	<u>134,086</u>
Total Liabilities	<u>0</u>	<u>\$134,102</u>
Net Position:		
Held in Trust	<u>454,849</u>	
Total Net Position	<u>\$454,849</u>	

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Donations	\$53,943
Investment Earnings	<u>3,646</u>
Total Additions	<u>57,589</u>
Deductions:	
Scholarships	<u>66,335</u>
Total Deductions	<u>66,335</u>
Change in Net Position	(8,746)
Net Position - Beginning of Year	<u>463,595</u>
Net Position - End of Year	<u><u>\$454,849</u></u>

See accompanying notes to the basic financial statements.

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Note 1 - Description of the District

July 1, 1955 was a historical date in Fayette County. The Miami Trace School District (the "District") was officially formed when the eight school districts of Concord, Green, Jasper, Madison, Marion, Perry, Union and Wayne merged. On January 1, 1956, with the addition of the districts of Bloomingburg, Jefferson and Paint, Miami Trace Local and Fayette County School Districts became one district encompassing almost all of Fayette County exclusive of the Washington Court House City School District. On February 10, 1958, after receiving a petition signed by almost 95% of the voters of the New Holland School District, the State Board of Education transferred the New Holland District into Miami Trace completing the consolidation of the twelve local districts that now make up Miami Trace.

Miami Trace covers 401 square miles, much of which is reputed to be among the most productive farmland in the state. The District's geographical size ranks among the top five in Ohio. At the present time, approximately 2,500 students attend one elementary school, one middle school and one comprehensive high school.

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 instructional and support facilities staffed by 143 non-certificated personnel and 190 certificated teaching and administrative personnel to provide services to students and other community members.

Reporting Entity

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

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District is associated with four jointly governed organizations. These organizations are discussed in the notes to the basic financial statements. These organizations are:

MVECA
South Central Ohio Insurance Consortium
Hopewell
Great Oaks Career Campuses

Note 2 - Summary of Significant Accounting Policies

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Measurement Focus

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

Fund Accounting

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

Governmental Funds

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

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.

Classroom Facilities – A fund provided to account for monies received and expended in connection with contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipment of classroom facilities.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a private purpose trust fund which accounts for scholarship programs for students. The District also has a student activity agency fund, which accounts for assets and liabilities generated by student managed activities and an OHSAA events agency fund to account for assets and liabilities of OHSAA athletic events of the District. The student activities agency fund consist of a student body, student president, student treasurer and a faculty advisor.

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 use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants, and 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. Deferred outflows of resources for the District include a deferred charge on refunding and pension. For more pension related information, see Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the District, deferred inflows of resources include property taxes, grants, revenue in lieu of taxes, and investments earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts and revenue in lieu of taxes have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and investment earnings are reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

Expenses/Expenditures

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

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

Equity In Pooled Cash Investments

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

The District participates in a self funded health insurance program that pays employees health insurance claims on the District's behalf. The balance of the District's funds held by the claims administrator and the fiscal agent at June 30, 2017 is presented as "Equity in Pooled Cash and Investments with Fiscal Agent" on the balance sheet.

Monies for all funds were maintained in various bank accounts or were temporarily used to purchase short-term cash equivalent investments. Under existing Ohio statutes, earnings accrue to the general

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

fund except those specifically related to agency funds, certain trust funds, food service and those funds individually authorized by board resolution.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2017 amounted to (\$37,510) for the General Fund, \$276,900 for the Classroom Facilities Fund, and \$132,040 for Other Governmental Funds.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditures/expense is reported in the year in which services are consumed.

Capital Assets

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-25 years
Buildings and Improvements	20-40 years
Equipment	3-15 years

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Pensions

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

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	10-20 days for each service year depending on length of service	10-20 days for each service year depending on length of service
Maximum Accumulation for Retirement Payout	Not Eligible	3 years accrual	40 days
Vested	Not Eligible	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Sick Leave

How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	229 days	Per Contract Days	219 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$18,721,501 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities columns of the statement of net position. There were no interfund receivables or interfund payables during the fiscal year.

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

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Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 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. Formal action by the Board of Education is needed to commit or rescind resources.

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

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

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

During fiscal year 2014 the Board of Education passed a two-part fiscal policy that stated:

- Reservation of Fund Balance for Fiscal Stabilization at fiscal year-end pursuant to O.R.C. Section 5705.13 equal to 5% of prior fiscal year general fund revenues (excluding other financing sources). This reservation total includes the currently established Budget Reserve Fund 001/9991 and Budget Reserve – Health Insurance Fund 001/9108. Further, amendment of the reservation requires board action. Funds can only be spent on health insurance. The balance for these funds/cost centers for fiscal year 2017 is \$1,394,112.
- Fiscal policy to maintain a minimum carryover balance for the succeeding fiscal year an unencumbered and unassigned general fund balance equal to two months of prior fiscal year average monthly general fund expenditures (excluding other financing uses). Further, amendment of this policy requires board action.

Restricted Assets

Restricted assets in the General Fund represent equity in pooled cash and investments set aside to establish a health insurance budget stabilization for health and prescription drug benefits for the District. Restricted assets in the other funds are for retainage on construction projects.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Estimates

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

Note 3 – Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the 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 two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

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

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

- (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 government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2017, \$9,615,527 of the District's bank balance of \$13,585,840 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District participates in a self-funded health insurance program that pays employees health insurance claims on the District's behalf. The balance of the District's funds held by the claims administrator and the fiscal agent at June 30, 2017 was \$4,152,856 (presented as "Equity in Pooled Cash and Investments with Fiscal Agent" on the balance sheet).

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:

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Star Ohio	\$22,360,086	N/A	0.12
Negotiable CDs	19,511,570	Level 2	0.73
Federal Home Loan Bank	1,497,735	Level 2	0.32
	<u>\$43,369,391</u>		
Portfolio Weighted Average Maturity			0.40

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. Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources, as provided by the investment managers. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2017. STAR Ohio is reported at its share price (Net Asset value per share).

Interest Rate Risk – In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank were rated AA+ by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Investments in STAR Ohio were rated AAAm by Standard & Poor's. 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 52% in STAR Ohio, 45% in Negotiable CDs, and 3% in Federal Home Loan Bank.

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 4 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (certain) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Fayette County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The amount available as an advance at June 30, 2017, was \$5,051,946 in the General Fund, \$225,168 in Classroom Facilities, and \$1,428,296 in Other Governmental Funds.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$512,652,860
Public Utility Personal	<u>88,560,780</u>
Total	<u><u>\$601,213,640</u></u>

Note 5 – Receivables

Receivables at June 30, 2017, consisted of taxes, accounts, interfund, interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Note 6 – Capital Assets

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

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**Miami Trace 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				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,111,092	\$416,162	\$0	\$1,527,254
Construction in Progress	876,493	10,592,976	367,515	11,101,954
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,070,810	373,050	0	1,443,860
Buildings and Improvements	55,443,059	325,625	0	55,768,684
Equipment	5,375,737	200,740	67,352	5,509,125
Totals at Historical Cost	<u>63,877,191</u>	<u>11,908,553</u>	<u>434,867</u>	<u>75,350,877</u>
Less Accumulated Depreciation:				
Land Improvements	712,527	66,493	0	779,020
Buildings and Improvements	15,821,805	1,874,305	0	17,696,110
Equipment	3,311,883	386,019	63,581	3,634,321
Total Accumulated Depreciation	<u>19,846,215</u>	<u>2,326,817</u>	<u>63,581</u>	<u>22,109,451</u>
Governmental Activities Capital Assets, Net	<u>\$44,030,976</u>	<u>\$9,581,736</u>	<u>\$371,286</u>	<u>\$53,241,426</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,098,578
Special	192,651
Vocational	103,660
Support Services:	
Pupil	131,346
Instructional Staff	70,810
School Administration	219,235
Fiscal	8,613
Business	2,245
Operations and Maintenance	209,708
Pupil Transportation	278,957
Operation of Non-Instructional Services	10,376
Extracurricular Activities	638
Total Depreciation Expense	<u>\$2,326,817</u>

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Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Note 7 - Long-Term Liabilities

	Maturity Dates	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds Payable:						
2008 School Improvement Bonds:						
Capital Appreciation		\$76,401	\$0	\$30,635	\$45,766	\$25,138
Capital Appreciation Accreted Interest		266,882	56,237	119,365	203,754	0
2009 School Improvements Bonds:						
Current Interest - 4.00-5.25%	12/01/2031	150,000	0	150,000	0	0
Capital Appreciation		34,999	0	0	34,999	19,302
Capital Appreciation Accreted Interest		192,048	28,043	0	220,091	0
2013 School Improvement Bonds:						
Current Interest - 1.00-4.00%	12/01/2033	9,165,000	0	0	9,165,000	0
Capital Appreciation		32,454	0	13,806	18,648	8,457
Capital Appreciation Accreted Interest		105,541	66,465	61,194	110,812	0
Premium		587,421	0	32,635	554,786	0
2014 School Improvement Bonds:						
Current Interest - 1.00-3.00%	12/01/2024	4,720,000	0	75,000	4,645,000	600,000
Capital Appreciation		4,995	0	4,995	0	0
Capital Appreciation Accreted Interest		215,758	294,247	510,005	0	0
Premium		443,345	0	49,260	394,085	0
2015 Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2036	6,125,000	0	85,000	6,040,000	0
Capital Appreciation		49,994	0	0	49,994	13,740
Capital Appreciation Accreted Interest		66,212	98,132	0	164,344	0
Premium		936,494	0	44,595	891,899	0
2014B Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2032	1,280,000	0	20,000	1,260,000	0
Capital Appreciation		10,542	0	0	10,542	5,789
Capital Appreciation Accreted Interest		11,239	13,834	0	25,073	0
Premium		378,442	0	22,261	356,181	0
2014B Refunding Bonds:						
Current Interest - 1.00-4.00%	12/01/2031	2,220,000	0	35,000	2,185,000	0
Capital Appreciation		24,994	0	0	24,994	9,263
Capital Appreciation Accreted Interest		26,632	32,790	0	59,422	0
Premium		372,439	0	23,277	349,162	0
2016 School Improvement Bonds:						
Current Interest - 2.00-5.00%	12/01/2052	29,610,000	0	480,000	29,130,000	375,000
Premium		2,021,114	0	54,625	1,966,489	0
Subtotal Bonds		59,127,946	589,748	1,811,653	57,906,041	1,056,689
Compensated Absences		987,840	460,552	417,315	1,031,077	353,722
Subtotal Bonds and Other Amounts		60,115,786	1,050,300	2,228,968	58,937,118	1,410,411
Net Pension Liability:						
STRS		27,252,410	5,839,216	0	33,091,626	0
SERS		6,897,844	2,274,943	0	9,172,787	0
Total Net Pension Liability		34,150,254	8,114,159	0	42,264,413	0
Total Long-Term Obligations		<u>\$94,266,040</u>	<u>\$9,164,459</u>	<u>\$2,228,968</u>	<u>\$101,201,531</u>	<u>\$1,410,411</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Bonds were issued for the purpose of paying the District's local share of the building construction and improvements under the State of Ohio Classroom Facilities Assistance Program.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$975,000	\$1,639,100	\$2,614,100	\$81,689	\$448,310	\$529,999
2019	1,005,000	1,620,463	2,625,463	57,452	472,548	530,000
2020	1,035,000	1,598,520	2,633,520	33,544	546,456	580,000
2021	1,260,000	1,573,114	2,833,114	10,127	359,873	370,000
2022	1,685,000	1,537,251	3,222,251	0	0	0
2023-2027	8,935,000	6,989,261	15,924,261	1,838	503,162	505,000
2028-2032	10,710,000	5,847,249	16,557,249	293	774,707	775,000
2033-2037	8,495,000	4,670,269	13,165,269	0	0	0
2038-2042	4,455,000	3,472,344	7,927,344	0	0	0
2043-2047	5,510,000	2,403,875	7,913,875	0	0	0
2048-2052	6,820,000	1,039,775	7,859,775	0	0	0
2053	1,540,000	30,800	1,570,800	0	0	0
Total	<u>\$52,425,000</u>	<u>\$32,422,021</u>	<u>\$84,847,021</u>	<u>\$184,943</u>	<u>\$3,105,056</u>	<u>\$3,289,999</u>

Note 8 - Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2017, \$6,599,000 of bonds outstanding are considered defeased.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the employer's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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.

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$583,371 for fiscal year 2017. Of this amount \$55,956 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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

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

The contractually required contribution to STRS was \$1,534,740 for fiscal year 2017. Of this amount \$264,620 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	\$9,172,787	\$33,091,626	\$42,264,413
Proportion of the Net Pension Liability			
Prior Measurement Date	0.12088550%	0.09860816%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.12532710%</u>	<u>0.09886061%</u>	
	-0.00444160%	-0.00025245%	
Pension Expense	1,137,037	2,466,116	3,603,153

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

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Miami Trace 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	\$123,720	\$1,337,060	\$1,460,780
Changes of assumptions	612,334	0	612,334
Net difference between projected and actual earnings on pension plan investments	756,622	2,747,494	3,504,116
Changes in employer proportionate share of net pension liability	315,751	89,538	405,289
Contributions subsequent to the measurement date	<u>583,371</u>	<u>1,534,740</u>	<u>2,118,111</u>
Total Deferred Outflows of Resources	<u>\$2,391,798</u>	<u>\$5,708,832</u>	<u>\$8,100,630</u>

\$2,118,111 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	\$502,569	\$671,780	\$1,174,349
2019	502,023	671,780	1,173,803
2020	586,337	1,726,071	2,312,408
2021	<u>217,498</u>	<u>1,104,461</u>	<u>1,321,959</u>
Total	<u>\$1,808,427</u>	<u>\$4,174,092</u>	<u>\$5,982,519</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.

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

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

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

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

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment 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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

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	\$12,144,199	\$9,172,787	\$6,685,592

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

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

**Miami Trace 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
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 %

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$43,976,082	\$33,091,626	\$23,909,946

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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Note 10 - Post Employment Benefits

School Employees Retirement System

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$90,043, respectively.

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

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

State Teachers Retirement System

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively.

Note 11 - Contingent Liabilities

Foundation Funding

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

Grants

The 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. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

Litigation

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

Note 12 - Jointly Governed Organizations

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium A-site used by the District. MVECA is an association of 25 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under the Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees. Financial information can be obtained from the offices of the Consortium's fiscal agent, Liberty-Union Thurston Local School District, 621 Washington Street, Baltimore, Ohio 43105.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and federal and state grants. To obtain financial information write to the Center's fiscal agent, Southern Ohio Educational Service Center, 3321 Airborne Rd., Wilmington, OH 45177.

Great Oaks Career Campuses (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board. Each district must appoint a representative to the Great Oaks board; the representative does not have to be a school board member, but must meet certain criteria per law. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has neither ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the precast of various types of liability, inland marine, and property insurance as a member of a school district risk-sharing pool (SORSA).

General liability insurance is maintained in the amount of \$15,000,000 for each occurrence and \$17,000,000 in the general aggregate. Other liability insurance includes \$15,000,000 for fleet liability, and \$1,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$83,920,891.

The District pays all elected and appointed officials' bonds by statute.

As a benefit for employees of the Miami Trace Local School District, the District makes available health, dental, and term life insurance for all qualifying employees who desire coverage. The District pays for a portion of the health and dental insurances. The District pays 100% of the term life insurance. The

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

District pays 100% of single dental. The employee is responsible for the difference between a single and family plan. The District pays 100% of both single and family hospitalization for employees hired before September 1992 and 85% for employees hired after September 1992. The balance remaining on all employees' benefits are deducted through payroll.

The District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self insured program. Claims are paid by the District to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracts with Employee Benefits Management Corporation (EBMC) to service the claims up to \$500,000 per individual. The District has a stop loss coverage insurance policy through Jefferson Health Plan (OME-RESA) which covered individual claims in excess of \$500,000 per employee per year for medical claims. The District had shared risk pool coverage with Jefferson Health Plan (OME-RESA) which covered individual claims in excess of \$75,000 up to \$500,000 per employee per year for medical claims.

The claims liability of \$615,800 reported in the general fund at June 30, 2017 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claims Payments	End of Year Balance
2016	\$201,100	\$4,735,082	(\$4,489,582)	\$446,600
2017	446,600	4,665,123	(4,495,923)	615,800

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Note 14 – Accountability

The following individual fund had a deficit in fund balance at year end:

Fund	Deficit
Other Governmental Funds:	
Improving Teacher Quality	\$432

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in this fund and will provide transfers when cash is required not when accruals occur.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017

Note 15 - Set-Asides

The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2017, the reserve activity (cash-basis) was as follows:

	Capital Maintenance Reserve
Balance as of June 30, 2016	\$0
Required Set-Aside	454,717
Qualifying Expenditures	(669,365)
Current Year Offsets	(4,000,957)
Balance as of June 30, 2017	<u>(<u>\$4,215,605</u>)</u>

Expenditures for capital activity during the year totaled \$669,365, which exceeded the amount required for set-aside. Although the District may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

Note 16 - Interfund Transactions

Interfund transactions at June 30, 2017, consisted of the following interfund receivables and interfund payables and transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$399,287	\$0	\$0	\$2,263,852
Other Governmental Funds	0	399,287	2,263,852	0
Total All Funds	<u>\$399,287</u>	<u>\$399,287</u>	<u>\$2,263,852</u>	<u>\$2,263,852</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 17 – Fund Balances

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

Fund Balances	General	Classroom Facilities	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$36,242	\$0	\$3,705	\$39,947
Total Nonspendable	36,242	0	3,705	39,947
Restricted for:				
Local Grants	0	0	7,225	7,225
Classroom Facilities Maintenance	0	0	3,826,879	3,826,879
Student Activity	0	0	79,700	79,700
Miscellaneous State Grants	0	0	49	49
Special Education	0	0	24,490	24,490
Career Development	0	0	1	1
Title I	0	0	197	197
IDEA Preschool Grant	0	0	1,348	1,348
Miscellaneous Federal Grants	0	0	15,341	15,341
Food Service	0	0	197,058	197,058
Debt Service Payments	0	0	5,027,994	5,027,994
Building Fund	0	0	5,787,027	5,787,027
Capital Projects High School	0	0	2,799,243	2,799,243
Classroom Facilities	0	20,924,490	0	20,924,490
Total Restricted	0	20,924,490	17,766,552	38,691,042
Committed to:				
Health Insurance Budget Stabilization	1,394,112	0	0	1,394,112
Permanent Improvements	0	0	206,421	206,421
Total Committed	1,394,112	0	206,421	1,600,533
Assigned to:				
Encumbrances	727,891	0	0	727,891
Public School	60,524	0	0	60,524
Total Assigned	788,415	0	0	788,415
Unassigned	18,929,465	0	(597)	18,928,868
Total Fund Balance	<u>\$21,148,234</u>	<u>\$20,924,490</u>	<u>\$17,976,081</u>	<u>\$60,048,805</u>

Note 18 – Construction and Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end 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:

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2017**

<u>Description</u>	<u>Remaining Commitment</u>
General	\$860,834
Classroom Facilities	26,471,352
Other Governmental	8,123,572

Note 19 – Implementation of New Accounting Principles

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

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

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

Note 20 – Tax Abatements Entered Into By Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, Fayette County has entered into such an agreement. Under this agreement the District’s property taxes were reduced by approximately \$62,340. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,407,946	\$13,431,230	\$13,323,974	(\$107,256)
Revenue in lieu of taxes	374,656	405,554	402,315	(3,239)
Tuition and Fees	2,825,951	3,059,007	3,034,579	(24,428)
Investment Earnings	95,318	103,179	102,355	(824)
Intergovernmental	12,035,762	13,028,352	12,924,313	(104,039)
Extracurricular Activities	7,129	7,717	7,655	(62)
Charges for Services and Sales	1,058	1,145	1,136	(9)
Other Revenues	106,169	114,925	114,007	(918)
Total Revenues	27,853,989	30,151,109	29,910,334	(240,775)
Expenditures:				
Current:				
Instruction:				
Regular	10,600,497	11,376,334	11,101,554	274,780
Special	2,610,008	2,801,031	2,733,376	67,655
Vocational	43,426	46,605	45,479	1,126
Other	2,029,152	2,177,664	2,125,065	52,599
Support Services:				
Pupil	1,481,214	1,589,622	1,551,227	38,395
Instructional Staff	1,066,682	1,144,751	1,117,101	27,650
General Administration	25,576	27,448	26,785	663
School Administration	2,509,670	2,693,349	2,628,295	65,054
Fiscal	761,934	817,699	797,949	19,750
Business	153,559	164,797	160,817	3,980
Operations and Maintenance	2,236,891	2,400,606	2,342,623	57,983
Pupil Transportation	2,049,724	2,199,741	2,146,609	53,132
Central	155,829	167,234	163,195	4,039
Extracurricular Activities	321,663	345,205	336,867	8,338
Capital Outlay	55,186	59,224	57,794	1,430
Total Expenditures	26,101,011	28,011,310	27,334,736	676,574
Excess of Revenues Over (Under) Expenditures	1,752,978	2,139,799	2,575,598	435,799
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	262	283	281	(2)
Advances In	10,244	11,089	11,000	(89)
Advances (Out)	(391,495)	(420,148)	(410,000)	10,148
Transfers In	94,987	102,821	102,000	(821)
Transfers (Out)	(2,345,487)	(2,517,150)	(2,456,352)	60,798
Total Other Financing Sources (Uses)	(2,631,489)	(2,823,105)	(2,753,071)	70,034
Net Change in Fund Balance	(878,511)	(683,306)	(177,473)	505,833
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	12,299,104	12,299,104	12,299,104	0
Fund Balance - End of Year	\$11,420,593	\$11,615,798	\$12,121,631	\$505,833

See accompanying notes to the Required Supplementary Information.

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level 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 School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

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

	<u>General</u>
GAAP Basis	\$2,201,329
Revenue Accruals	(163,348)
Expenditure Accruals	(867,131)
Transfers In	102,000
Transfers (Out)	(192,500)
Advances In	11,000
Advances (Out)	(410,000)
Encumbrances	(860,834)
Funds Budgeted Elsewhere	<u>2,011</u>
Budget Basis	<u><u>(\$177,473)</u></u>

Note 2 – SERS Change in Assumptions

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (1) discount rate was reduced from 7.75% to 6.50%, (2) the assumed rate of inflation was reduced from 3.25% to 3.00%, (3) payroll growth assumption was reduced from 4.00% to 3.50%, (4) assumed real wage growth was reduced from 0.75% to 0.50%, (5) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (6) 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, (7) 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 (8) 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.

Note 3 – STRS Change in Assumptions

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

Miami Trace 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 Measurement Periods (1)

	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.09886061%	0.09860816%	0.09842014%	0.09842014%
District's Proportionate Share of the Net Pension Liability	\$33,091,626	\$27,252,411	\$23,939,184	\$28,439,405
District's Covered Payroll	\$10,534,029	\$10,368,257	\$10,829,346	\$10,977,415
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	314.14%	262.84%	221.06%	259.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

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

See accompanying notes to the Required Supplementary Information.

Miami Trace 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 Measurement Periods (1)

	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.12532710%	0.12088550%	0.11665900%	0.11665900%
District's Proportionate Share of the Net Pension Liability	\$9,172,787	\$6,897,844	\$5,904,046	\$6,939,417
District's Covered Payroll	\$3,817,029	\$3,967,466	\$3,424,127	\$3,292,775
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	240.31%	173.86%	172.42%	210.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

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

See accompanying notes to the Required Supplementary Information.

Miami Trace Local School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,534,740	\$1,474,764	\$1,451,556	\$1,407,815	\$1,427,064
Contributions in Relation to the Contractually Required Contribution	<u>(1,534,740)</u>	<u>(1,474,764)</u>	<u>(1,451,556)</u>	<u>(1,407,815)</u>	<u>(1,427,064)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered Payroll	\$10,962,429	\$10,534,029	\$10,368,257	\$10,829,346	\$10,977,415
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

See accompanying notes to the Required Supplementary Information.

2012	2011	2010	2009	2008
\$1,412,808	\$1,404,228	\$1,484,316	\$1,564,272	\$1,544,748
(1,412,808)	(1,404,228)	(1,484,316)	(1,564,272)	(1,544,748)
\$0	\$0	\$0	\$0	\$0
\$10,867,754	\$10,801,754	\$11,417,815	\$12,032,862	\$11,882,677
13.00%	13.00%	13.00%	13.00%	13.00%

Miami Trace Local School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$583,371	\$534,384	\$522,912	\$474,584	\$469,560
Contributions in Relation to the Contractually Required Contribution	<u>(583,371)</u>	<u>(534,384)</u>	<u>(522,912)</u>	<u>(474,584)</u>	<u>(469,560)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered Payroll	\$4,166,936	\$3,817,029	\$3,967,466	\$3,424,127	\$3,392,775
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

See accompanying notes to the Required Supplementary Information.

2012	2011	2010	2009	2008
\$485,088	\$484,992	\$457,332	\$469,680	\$453,828
(485,088)	(484,992)	(457,332)	(469,680)	(453,828)
\$0	\$0	\$0	\$0	\$0
\$3,606,602	\$3,858,329	\$3,377,637	\$4,773,171	\$4,621,466
13.45%	12.57%	13.54%	9.84%	9.82%

Miami Trace Local School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2017

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2017	10.555	\$ 70,889	70,889
<i>Cash Assistance:</i>				
School Breakfast Program	2017	10.553	146,151	146,151
National School Lunch Program	2017	10.555	<u>461,588</u>	<u>461,588</u>
<i>Cash Assistance Subtotal</i>			<u>607,739</u>	<u>607,739</u>
Nutrition Cluster Total			<u>678,628</u>	<u>678,628</u>
State Administrative Expenses for Child Nutrition	2017	10.560	-	289
Total U.S. Department of Agriculture			<u>678,628</u>	<u>678,917</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies (2016)	S010A150035	84.010	102,357	102,094
Title I Grants to Local Educational Agencies (2017)	S010A150035	84.010	<u>586,404</u>	<u>561,039</u>
			<u>688,761</u>	<u>663,133</u>
Special Education Cluster:				
Special Education - Grants to States (2016)	H027A150111	84.027	79,165	78,987
Special Education - Grants to States (2017)	H027A150111	84.027	492,677	483,217
Special Education - Preschool Grants (2016)	H173A150119	84.173	165	260
Special Education - Preschool Grants (2017)	H173A150119	84.173	<u>11,758</u>	<u>11,276</u>
Special Education Cluster Total			<u>583,765</u>	<u>573,740</u>
Career and Technical Education	2017	84.048	<u>4,000</u>	<u>4,000</u>
Rural Education	2016	84.358	17,275	17,275
Rural Education	2017	84.358	<u>41,394</u>	<u>41,394</u>
			<u>58,669</u>	<u>58,669</u>
Supporting Effective Instruction State Grant (2016)	S367A150034	84.367	10,905	10,851
Supporting Effective Instruction State Grants (2017)	S367A150034	84.367	<u>120,231</u>	<u>117,851</u>
			<u>131,136</u>	<u>128,702</u>
Total U.S. Department of Education			<u>1,466,331</u>	<u>1,428,244</u>
Total Federal Awards			\$ <u>2,144,959</u>	<u>2,107,161</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Miami Trace Local School District (the "School District") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

NOTE D - NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

To the Board of Education
Miami Trace Local School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 8, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE****INDEPENDENT AUDITORS' REPORT**

To the Board of Education
Miami Trace Local School District:

Report on Compliance for Each Major Federal Program

We have audited Miami Trace Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 8, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements Audited were prepared in accordance with GAAP:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none
Identification of major programs:	
<i>Nutrition Cluster:</i>	
CFDA 10.553 – School Breakfast Program	
CFDA 10.555 – National School Lunch Program	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Audit Findings

Finding 2016-001 – Audit Adjustments

During the course of our audit, we identified two misstatements in the financial statements for the year under audit that were not identified by the School District's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the School District's financial statements did not operate as designed and we consider this a significant deficiency.

Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. One audit adjustment was necessary to properly report certain accounts associated with net pension liability. The other adjustment was necessary to reduce capital assets and contracts payable by \$3,014,317 for payables recorded for expenditures that were incurred subsequent to year end and thus, should not have been recorded as liabilities as of June 30, 2016.

We recommend the School District enhance its internal controls over financial reporting with steps such as management analysis of the financials compared to prior years and improved communication with its hired consultant to ensure the preparation of reliable financial statements in conformity with general accepted accounting principles.

Status: *Corrected*



Dave Yost • Auditor of State

MIAMI TRACE LOCAL SCHOOL DISTRICT

FAYETTE 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 15, 2018