



Dave Yost • Auditor of State

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Miami East Local School District
Miami County
3825 North State Route 589
Casstown, Ohio 45312

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District, Miami County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District, Miami County, Ohio, as of June 30, 2017 and 2016, and the respective changes in financial position, and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements for the fiscal year end June 30, 2016, the District restated governmental activities net position and nonmajor governmental funds balance at June 30, 2015. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2018 our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 9, 2018

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities increased \$780,172 which represents a 25.06% increase from 2016.
- General revenues accounted for \$14,759,384 in revenue or 86.74% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,257,096 or 13.26% of total revenues of \$17,016,480.
- The District had \$16,236,308 in expenses related to governmental activities; \$2,257,096 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,759,384 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$14,731,179 in revenues and other financing sources and \$13,078,280 in expenditures. During fiscal year 2017, the general fund's fund balance increased \$1,652,899 from \$5,291,080 to \$6,943,979.
- The bond retirement fund had \$1,173,648 in revenues and \$1,277,082 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance decreased \$103,434 from \$1,900,887 to \$1,797,453.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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 statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

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* than can readily be converted to cash. The governmental fund financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-62 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 64-70 of this report.

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole.

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 15,838,484	\$ 14,164,800
Capital assets, net	<u>26,159,050</u>	<u>26,688,182</u>
Total assets	<u>41,997,534</u>	<u>40,852,982</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	616,498	652,357
Pension	<u>3,500,211</u>	<u>1,549,768</u>
Total deferred outflows of resources	<u>4,116,709</u>	<u>2,202,125</u>
<u>Liabilities</u>		
Current liabilities	1,495,951	1,367,466
Long-term liabilities:		
Due within one year	940,349	871,888
Due in more than one year:		
Net pension liability	19,270,662	15,720,426
Other amounts	<u>15,818,585</u>	<u>16,364,092</u>
Total liabilities	<u>37,525,547</u>	<u>34,323,872</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	4,527,852	4,365,211
Pensions	<u>167,903</u>	<u>1,253,255</u>
Total deferred inflows of resources	<u>4,695,755</u>	<u>5,618,466</u>
<u>Net Position</u>		
Net investment in capital assets	11,633,297	11,853,260
Restricted	2,045,046	2,047,486
Unrestricted (deficit)	<u>(9,785,402)</u>	<u>(10,787,977)</u>
Total net position	<u>\$ 3,892,941</u>	<u>\$ 3,112,769</u>

During a previous fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$3,892,941. Of this total, \$2,045,046 is restricted in use.

Assets of the District increased \$1,144,552 or 2.80%. This increase is due mainly to an increase in equity in pooled cash and cash equivalents and property taxes receivable. Equity in pooled cash and cash equivalents was helped by an increase in cash in the general fund due to good management of cash flows. Property taxes receivable increased due to increased assessed valuations throughout the County.

At year-end, capital assets represented 62.29% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Net investment in capital assets at June 30, 2017, was \$11,633,297. 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.

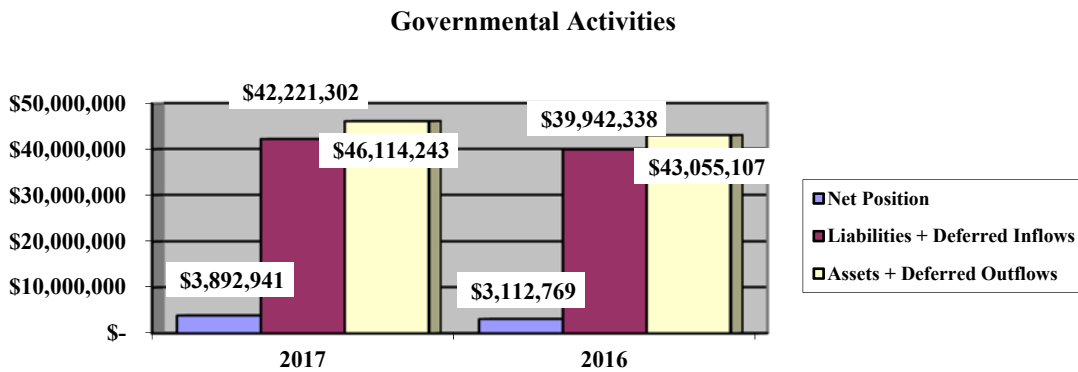
**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Liabilities of the District increased \$3,201,675 or 9.33%. This increase was due largely to the increase in net pension liability.

A portion of the District's net position, \$2,045,046, represents resources that are subject to external restriction on how they may be used. The largest portion of restricted net position is \$1,192,084 that is restricted for debt service. The remaining balance of unrestricted net position is (\$9,785,402). The increase in unrestricted net position is associated with the increase in general fund balance as described later.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2017 and June 30, 2016.



The table below shows the change in net position for fiscal year 2017 and 2016.

Change in Net Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,270,485	\$ 1,266,877
Operating grants and contributions	986,611	816,463
General revenues:		
Property taxes	5,570,011	4,898,439
Income taxes	3,274,233	3,237,193
Grants and entitlements	5,813,416	5,399,846
Investment earnings	54,161	26,216
Other	<u>47,563</u>	<u>36,911</u>
Total revenues	<u>17,016,480</u>	<u>15,681,945</u>

(Continued)

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Change in Net Position (Continued)

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,655,348	\$ 5,590,010
Special	1,521,905	1,358,277
Vocational	97,063	88,953
Other	968,723	892,865
Support services:		
Pupil	768,511	674,302
Instructional staff	727,656	529,815
Board of education	27,793	27,490
Administration	903,270	761,300
Fiscal	411,457	372,477
Business	65,047	61,878
Operations and maintenance	1,339,444	1,218,357
Pupil transportation	940,408	862,014
Central	110,975	107,749
Operations of non-instructional services:		
Other non-instructional services	1,303	2,459
Food service operations	461,600	413,433
Extracurricular activities	573,777	534,223
Interest and fiscal charges	<u>662,028</u>	<u>875,125</u>
Total expenses	<u>16,236,308</u>	<u>14,370,727</u>
Change in net position	780,172	1,311,218
Net position at beginning of year	<u>3,112,769</u>	<u>1,801,551</u>
Net position at end of year	<u>\$ 3,892,941</u>	<u>\$ 3,112,769</u>

Governmental Activities

Net position of the District's governmental activities increased \$780,172. Total governmental expenses of \$16,236,308 were offset by program revenues of \$2,257,096 and general revenues of \$14,759,384. Program revenues supported 13.90% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 86.14% of total governmental revenue. Revenues of the District increased \$1,334,985 or 8.51%. This increase was the result of increases in property taxes and State foundation funding.

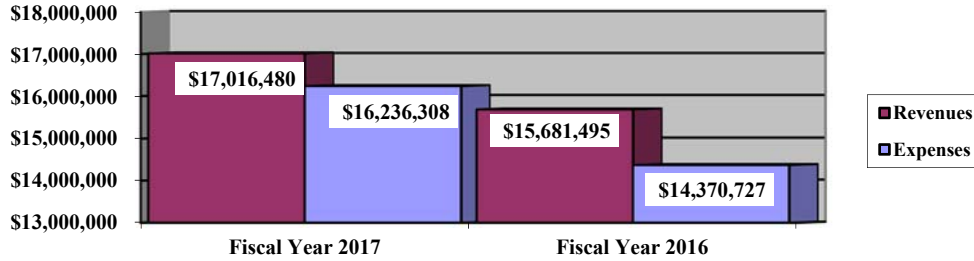
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,243,039 or 56.93% of total governmental expenses for fiscal year 2017.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2017 and 2016.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. The total cost of services represents the total cost the District incurred to provide the service and the net cost of services represents the cost of the service after applying specific program revenues attributable to that service.

Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses				
Instruction:				
Regular	\$ 6,655,348	\$ 5,840,462	\$ 5,590,010	\$ 4,725,449
Special	1,521,905	755,937	1,358,277	791,513
Vocational	97,063	53,951	88,953	57,677
Other	968,723	968,723	892,865	892,865
Support services:				
Pupil	768,511	758,632	674,302	667,321
Instructional staff	727,656	721,281	529,815	524,125
Board of education	27,793	27,793	27,490	27,490
Administration	903,270	898,901	761,300	759,145
Fiscal	411,457	390,631	372,477	350,324
Business	65,047	64,957	61,878	61,773
Operations and maintenance	1,339,444	1,325,687	1,218,357	1,204,914
Pupil transportation	940,408	882,320	862,014	799,942
Central	110,975	110,975	107,749	107,749
Operations of non-instructional services:				
Other non-instructional services	1,303	731	2,459	1,827
Food service operations	461,600	95,668	413,433	49,787
Extracurricular activities	573,777	420,535	534,223	390,361
Interest and fiscal charges	662,028	662,028	875,125	875,125
Total expenses	<u>\$ 16,236,308</u>	<u>\$ 13,979,212</u>	<u>\$ 14,370,727</u>	<u>\$ 12,287,387</u>

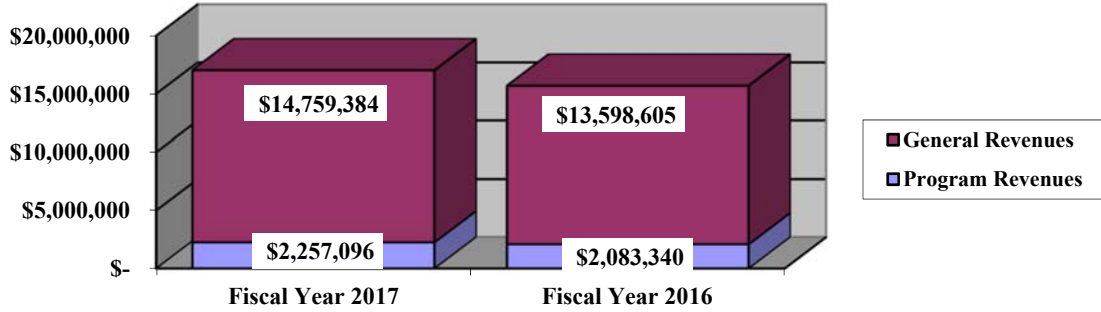
The dependence upon tax and other general revenues for governmental activities is apparent, as 82.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.10%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental activities revenues for fiscal year 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$9,474,228 which is more than last year's total of \$8,158,007. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and June 30, 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 6,943,979	\$ 5,291,080	\$ 1,652,899	31.24 %
Bond Retirement	1,797,453	1,900,887	(103,434)	(5.44) %
Other Governmental	<u>732,796</u>	<u>966,040</u>	<u>(233,244)</u>	(24.14) %
Total	<u>\$ 9,474,228</u>	<u>\$ 8,158,007</u>	<u>\$ 1,316,221</u>	16.13 %

General Fund

The District's general fund balance increased \$1,652,899.

Revenues of the general fund increased \$1,137,286 or 8.44%. This increase can be attributed to an increase in property tax revenues and State foundation payments.

Expenditures of the general fund increased \$1,198,334 or 10.09%. The most significant increase was in the area of instruction services. These increases resulted from salary and benefit increases to District staff.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,605,159	\$ 6,960,026	\$ 645,133	9.27 %
Tuition	788,735	789,749	(1,014)	(0.13) %
Earnings on investments	54,161	26,216	27,945	106.60 %
Intergovernmental	6,000,600	5,557,571	443,029	7.97 %
Other revenues	<u>169,971</u>	<u>147,778</u>	<u>22,193</u>	15.02 %
Total	<u>\$ 14,618,626</u>	<u>\$ 13,481,340</u>	<u>\$ 1,137,286</u>	8.44 %
<u>Expenditures</u>				
Instruction	\$ 8,132,131	\$ 7,386,407	\$ 745,724	10.10 %
Support services	4,515,959	4,184,694	331,265	7.92 %
Non-instructional services	1,303	2,573	(1,270)	(49.36) %
Extracurricular activities	311,441	297,156	14,285	4.81 %
Facilities acquisition and construction	<u>117,446</u>	<u>9,116</u>	<u>108,330</u>	1,188.35 %
Total	<u>\$ 13,078,280</u>	<u>\$ 11,879,946</u>	<u>\$ 1,198,334</u>	10.09 %

Bond Retirement Fund

The bond retirement fund had \$1,173,648 in revenues and \$1,277,082 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance decreased \$103,434 from \$1,900,887 to \$1,797,453. The decrease in fund balance is the result of scheduled principal and interest payments on general obligation bonds exceeding property tax collections during the fiscal year.

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 several times. For the general fund, original budgeted revenues and other financing sources were \$13,870,781. Final budgeted revenues and other financing sources for fiscal year 2017 was \$14,554,240. This represents a \$683,459 increase from original budgeted revenues. Actual revenues and other financing sources were \$14,453,516.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$13,536,197, which were increased to \$13,717,484 in the final appropriations. The actual budget basis expenditures for fiscal year 2017 totaled \$13,541,154, which was \$176,330 less than the final budgeted appropriations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$26,159,050 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2017 balances compared to June 30, 2016:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2017	2016
Land	\$ 303,182	\$ 303,182
Construction in progress	65,000	-
Land improvements	813,554	881,984
Building and improvements	23,764,299	24,362,148
Furniture, fixtures and equipment	490,310	553,260
Vehicles	722,705	587,608
Total	\$ 26,159,050	\$ 26,688,182

The overall decrease in capital assets of \$529,132 is due to depreciation of \$892,570 and disposals (net of accumulated depreciation) of \$1,198 exceeding current year additions of \$364,636. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had \$14,734,432 in general obligation bonds payable. Of this total, \$704,793 is due within one year and \$14,029,639 is due in more than one year.

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2017	2016
2007 school improvement refunding bonds	\$ 9,094,793	\$ 9,539,575
2009 school improvement bonds	314,639	448,672
2016A school improvement refunding bonds	5,325,000	5,325,000
Total	\$ 14,734,432	\$ 15,313,247

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Lisa Fahnce, Treasurer, Miami East Local School District, 3825 N. State Route 589, Casstown, Ohio 45312.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 9,059,873
Receivables:	
Property taxes	5,450,837
Income taxes.	1,148,595
Accounts.	19,765
Accrued interest.	3,295
Intergovernmental.	92,747
Prepayments	8,281
Materials and supplies inventory.	51,043
Inventory held for resale.	4,048
Capital assets:	
Nondepreciable capital assets	368,182
Depreciable capital assets, net.	25,790,868
Capital assets, net.	26,159,050
Total assets.	41,997,534
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	616,498
Pension - STRS	2,697,001
Pension - SERS	803,210
Total deferred outflows of resources	4,116,709
 Liabilities:	
Accounts payable.	88,717
Contracts payable.	60,000
Accrued wages and benefits payable	1,070,515
Intergovernmental payable	61,515
Pension and postemployment benefits payable	156,507
Accrued interest payable	46,933
Unearned revenue	11,764
Long-term liabilities:	
Due within one year.	940,349
Due in more than one year:	
Net pension liability	19,270,662
Other amounts due in more than one year	15,818,585
Total liabilities	37,525,547
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,527,852
Pension - STRS.	147,492
Pension - SERS.	20,411
Total deferred inflows of resources	4,695,755
 Net position:	
Net investment in capital assets	11,633,297
Restricted for:	
Capital projects	663,513
Classroom facilities maintenance	66,584
Debt service.	1,192,084
Federally funded programs	62,044
Student activities	10,165
Other purposes	50,656
Unrestricted (deficit)	(9,785,402)
Total net position.	\$ 3,892,941

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 6,655,348	\$ 814,886	\$ -	\$ (5,840,462)
Special	1,521,905	56,626	709,342	(755,937)
Vocational	97,063	182	42,930	(53,951)
Other	968,723	-	-	(968,723)
Support services:				
Pupil	768,511	9,879	-	(758,632)
Instructional staff	727,656	785	5,590	(721,281)
Board of education	27,793	-	-	(27,793)
Administration	903,270	4,369	-	(898,901)
Fiscal	411,457	12,665	8,161	(390,631)
Business	65,047	55	35	(64,957)
Operations and maintenance	1,339,444	5,310	8,447	(1,325,687)
Pupil transportation	940,408	24,601	33,487	(882,320)
Central	110,975	-	-	(110,975)
Operation of non-instructional services:				
Other non-instructional services	1,303	572	-	(731)
Food service operations	461,600	223,944	141,988	(95,668)
Extracurricular activities	573,777	116,611	36,631	(420,535)
Interest and fiscal charges	662,028	-	-	(662,028)
Total governmental activities	\$ 16,236,308	\$ 1,270,485	\$ 986,611	(13,979,212)
General revenues:				
Property taxes levied for:				
General purposes				4,322,799
Facilities maintenance				84,280
Debt service				1,027,418
Capital outlay				135,514
Income taxes levied for:				
General purposes				3,274,233
Grants and entitlements not restricted to specific programs				
Investment earnings				5,813,416
Miscellaneous				47,563
Total general revenues				14,759,384
Change in net position				780,172
Net position at beginning of year				3,112,769
Net position at end of year				\$ 3,892,941

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 6,618,525	\$ 1,626,080	\$ 815,268	\$ 9,059,873
Receivables:				
Property taxes	4,219,238	1,021,334	210,265	5,450,837
Income taxes	1,148,595	-	-	1,148,595
Accounts	13,965	-	5,800	19,765
Accrued interest	3,295	-	-	3,295
Interfund loans	15,000	-	-	15,000
Intergovernmental	27,116	-	65,631	92,747
Prepayments	8,087	-	194	8,281
Materials and supplies inventory	49,255	-	1,788	51,043
Inventory held for resale	-	-	4,048	4,048
Due from other funds	2,509	-	-	2,509
Total assets	<u>\$ 12,105,585</u>	<u>\$ 2,647,414</u>	<u>\$ 1,102,994</u>	<u>\$ 15,855,993</u>
Liabilities:				
Accounts payable	\$ 84,771	\$ -	\$ 3,946	\$ 88,717
Contracts payable	-	-	60,000	60,000
Accrued wages and benefits payable	1,043,385	-	27,130	1,070,515
Compensated absences payable	27,245	-	5,963	33,208
Intergovernmental payable	61,240	-	275	61,515
Pension and postemployment benefits payable	151,977	-	4,530	156,507
Interfund loans payable	-	-	15,000	15,000
Due to other funds	-	-	2,509	2,509
Unearned revenue	140	-	11,624	11,764
Total liabilities	<u>1,368,758</u>	<u>-</u>	<u>130,977</u>	<u>1,499,735</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,511,236	842,613	174,003	4,527,852
Delinquent property tax revenue not available	32,872	7,348	1,561	41,781
Income tax revenue not available	234,339	-	-	234,339
Intergovernmental revenue not available	-	-	62,147	62,147
Miscellaneous revenue not available	14,401	-	1,510	15,911
Total deferred inflows of resources	<u>3,792,848</u>	<u>849,961</u>	<u>239,221</u>	<u>4,882,030</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	49,255	-	1,788	51,043
Prepayments	8,087	-	194	8,281
Restricted:				
Debt service	-	1,797,453	-	1,797,453
Capital improvements	-	-	602,551	602,551
Classroom facilities maintenance	-	-	65,985	65,985
Food service operations	-	-	49,452	49,452
Other purposes	-	-	5,262	5,262
Extracurricular activities	-	-	8,655	8,655
Assigned:				
Student instruction	24,145	-	-	24,145
Student and staff support	479,480	-	-	479,480
Subsequent year's appropriations	5,120	-	-	5,120
Extracurricular activities	1,702	-	-	1,702
Other purposes	1,575	-	-	1,575
Unassigned (deficit)	6,374,615	-	(1,091)	6,373,524
Total fund balances	<u>6,943,979</u>	<u>1,797,453</u>	<u>732,796</u>	<u>9,474,228</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,105,585</u>	<u>\$ 2,647,414</u>	<u>\$ 1,102,994</u>	<u>\$ 15,855,993</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	9,474,228
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,159,050
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	41,781	
Income taxes receivable		234,339	
Accounts receivable		15,911	
Intergovernmental receivable		62,147	
Total		354,178	354,178
Unamortized premiums on bonds issued are not recognized in the funds.			(913,603)
Unamortized amounts on refundings are not recognized in the funds.			616,498
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(46,933)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		3,500,211	
Deferred inflows of resources - pension		(167,903)	
Net pension liability		(19,270,662)	
Total		(15,938,354)	(15,938,354)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(14,734,432)	
Compensated absences		(1,077,691)	
Total		(15,812,123)	(15,812,123)
Net position of governmental activities		\$	3,892,941

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,339,705	\$ 1,031,104	\$ 220,893	\$ 5,591,702
Income taxes	3,265,454	-	-	3,265,454
Tuition	788,735	-	-	788,735
Transportation fees	2,200	-	24,773	26,973
Earnings on investments	54,161	-	519	54,680
Charges for services	-	-	236,846	236,846
Extracurricular	22,781	-	108,707	131,488
Classroom materials and fees	77,937	-	-	77,937
Rental income	5,290	-	-	5,290
Contributions and donations	23,294	-	34,979	58,273
Other local revenues	38,469	-	10,881	49,350
Intergovernmental - state	6,000,600	142,544	47,390	6,190,534
Intergovernmental - federal	-	-	504,682	504,682
Total revenues	<u>14,618,626</u>	<u>1,173,648</u>	<u>1,189,670</u>	<u>16,981,944</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,966,921	-	31,012	5,997,933
Special	1,121,501	-	310,810	1,432,311
Vocational	75,002	-	333	75,335
Other	968,707	-	-	968,707
Support services:				
Pupil	687,826	-	-	687,826
Instructional staff	675,474	-	5,505	680,979
Board of education	27,019	-	-	27,019
Administration	805,207	-	-	805,207
Fiscal	345,366	17,325	26,909	389,600
Business	61,085	-	100	61,185
Operations and maintenance	1,013,427	-	117,935	1,131,362
Pupil transportation	848,968	-	196,658	1,045,626
Central	51,587	-	-	51,587
Operation of non-instructional services:				
Other non-instructional services	1,303	-	-	1,303
Food service operations	-	-	409,208	409,208
Extracurricular activities	311,441	-	156,880	468,321
Facilities acquisition and construction	117,446	-	167,564	285,010
Debt service:				
Principal retirement	-	348,848	-	348,848
Interest and fiscal charges	-	554,757	-	554,757
Accretion on capital appreciation bonds	-	356,152	-	356,152
Total expenditures	<u>13,078,280</u>	<u>1,277,082</u>	<u>1,422,914</u>	<u>15,778,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,540,346</u>	<u>(103,434)</u>	<u>(233,244)</u>	<u>1,203,668</u>
Other financing sources:				
Insurance recoveries	112,553	-	-	112,553
Total other financing sources	<u>112,553</u>	<u>-</u>	<u>-</u>	<u>112,553</u>
Net change in fund balances	1,652,899	(103,434)	(233,244)	1,316,221
Fund balances at beginning of year	<u>5,291,080</u>	<u>1,900,887</u>	<u>966,040</u>	<u>8,158,007</u>
Fund balances at end of year	<u>\$ 6,943,979</u>	<u>\$ 1,797,453</u>	<u>\$ 732,796</u>	<u>\$ 9,474,228</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	1,316,221
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 364,636	
Current year depreciation	(892,570)	
Total	(527,934)	(527,934)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(1,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(21,691)	
Income taxes	8,779	
Charges for services	(224)	
Extracurricular	(663)	
Classroom materials and fees	(8,306)	
Other local revenue	(4,789)	
Intergovernmental	61,430	
Total	34,536	34,536
Repayment of bond and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	348,848	
Payment of accretion	356,152	
Total	705,000	705,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	(1,407)	
Accreted interest on capital appreciation bonds	(126,185)	
Amortization of bond premiums	56,180	
Amortization of deferred charges	(35,859)	
Total	(107,271)	(107,271)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		933,854
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,448,295)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(124,741)
Change in net position of governmental activities	\$	780,172

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,855,945	\$ 4,085,977	\$ 4,085,978	\$ 1
Income taxes	3,210,754	3,211,202	3,308,612	97,410
Tuition	789,639	789,749	788,735	(1,014)
Transportation fees	4,292	4,293	2,200	(2,093)
Earnings on investments	25,255	25,259	53,174	27,915
Extracurricular	1,452	1,452	1,427	(25)
Classroom materials and fees	42,195	42,201	40,988	(1,213)
Rental income	4,997	4,998	5,290	292
Contributions and donations	4,191	4,192	935	(3,257)
Other local revenues	21,616	17,262	19,872	2,610
Intergovernmental - state	5,775,445	6,232,655	6,009,183	(223,472)
Total revenues	<u>13,735,781</u>	<u>14,419,240</u>	<u>14,316,394</u>	<u>(102,846)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,113,657	6,195,534	5,929,538	265,996
Special	1,072,656	1,087,022	1,134,405	(47,383)
Vocational	76,043	77,061	75,250	1,811
Other	932,859	945,353	970,407	(25,054)
Support services:				
Pupil	661,033	669,886	671,529	(1,643)
Instructional staff	610,972	619,155	746,012	(126,857)
Board of education	29,637	30,034	26,823	3,211
Administration	828,506	839,602	796,430	43,172
Fiscal	336,238	340,741	343,921	(3,180)
Business	64,607	65,472	66,429	(957)
Operations and maintenance	1,068,187	1,082,493	1,083,907	(1,414)
Pupil transportation	1,358,856	1,377,055	1,194,409	182,646
Central	55,086	55,824	51,326	4,498
Other operation of non-instructional services	7,451	7,551	1,000	6,551
Extracurricular activities	311,699	315,874	315,245	629
Facilities acquisition and construction	8,710	8,827	117,672	(108,845)
Total expenditures	<u>13,536,197</u>	<u>13,717,484</u>	<u>13,524,303</u>	<u>193,181</u>
Excess of revenues over expenditures	<u>199,584</u>	<u>701,756</u>	<u>792,091</u>	<u>90,335</u>
Other financing sources (uses):				
Refund of prior year's expenditures	23,866	23,866	24,569	703
Refund of prior year's receipts	-	-	(1,851)	(1,851)
Advances (out)	-	-	(15,000)	(15,000)
Insurance recoveries	111,134	111,134	112,553	1,419
Total other financing sources (uses)	<u>135,000</u>	<u>135,000</u>	<u>120,271</u>	<u>(14,729)</u>
Net change in fund balance	334,584	836,756	912,362	75,606
Fund balance at beginning of year	4,359,429	4,359,429	4,359,429	-
Prior year encumbrances appropriated	743,508	743,508	743,508	-
Fund balance at end of year	<u>\$ 5,437,521</u>	<u>\$ 5,939,693</u>	<u>\$ 6,015,299</u>	<u>\$ 75,606</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 11,212	\$ 116,934
Receivables:		
Accounts	-	2,722
Total assets.	11,212	\$ 119,656
Liabilities:		
Accounts payable.	-	\$ 2,928
Due to students.	-	100,161
Undistributed monies	-	16,567
Total liabilities	-	\$ 119,656
Net position:		
Held in trust for scholarships	11,212	
Total net position.	\$ 11,212	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 54
Total additions	54
 Deductions:	
Scholarships awarded	250
Change in net position	(196)
 Net position at beginning of year	11,408
Net position at end of year	\$ 11,212

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

The District was established in 1956 through the consolidation of existing land areas and Districts. The District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District participates in two jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association (META) Solutions
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Ohio School Comp Workers' Compensation Group Retro Rating Program
Ohio School Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

B. Fund Accounting

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

Governmental Funds

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

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

Bond retirement fund - The bond retirement fund accounts for and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specific purposes other than debt service or capital projects.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's two trust funds are private purpose trusts which account for college scholarship programs for students. One of the District's two agency funds accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor. The other agency fund accounts for activity related to the Section 125 benefit plan for employees.

C. Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial 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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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, current deferred outflows of resources, current liabilities and current 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

E. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 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. "Measurable" means that the amount of the transaction can be determined, and "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 60 days of fiscal year-end.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will 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. For the District, See Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

For the District, See Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2017, the District invested in STAR Ohio (State Treasury Asset Reserve of Ohio). Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price.

During fiscal year 2017, the District invested in STAR Ohio. 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 its 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 fiscal year 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 Statute, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2017 amounted to \$54,161 which includes \$16,899 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash and cash equivalents.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food held for resale.

H. 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 an expenditure/expense is reported in the fiscal year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance. There were no prepaid items at year-end.

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$750. 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 capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	7 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	3 - 15 years
Vehicles	5 - 10 years

J. Accrued Liabilities and Long-Term Obligations

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

K. Compensated Absences

Vacation, compensatory time, and personal leave 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. The District records a liability for unused personal leave and compensatory time for all employees who have a balance at the end of the fiscal year.

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

The entire compensated absences liability is reported on the government-wide financial statements.

L. Unamortized Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of bonds payable. Issuance costs are expensed in the year they occur.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued. Accretion on the capital appreciation bonds is not recorded.

M. Loss on Advance Refunding

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain/loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This amount is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations.

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

P. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

Q. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. Receivables and payables resulting from negative cash balances are classified as “due to/due from other funds”. These amounts are eliminated in the governmental type activities columns of the statement of net position.

R. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The public school preschool fund (a nonmajor governmental fund) is administered by a fiscal agent and is not budgeted by the District. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was in effect at the time the final appropriations were passed by the Board of Education.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

S. Estimates

The preparation of the 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.

T. 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.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2017, the District had neither type of occurrence.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 1,091

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$1,620,388. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$1,432,907 of the District’s bank balance of \$1,682,907 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2017, the District had the following investment and maturity:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	<u>Investment</u> <u>Maturities</u> 6 months or <u>less</u>
Amortized Cost: STAR Ohio	\$ 7,567,631	\$ 7,567,631

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not address investment credit risk beyond the requirements of State statutes.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, 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 investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement</u>	
Amortized Cost:	<u>Amount</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 7,567,631</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,620,388
Investments	<u>7,567,631</u>
Total	<u>\$ 9,188,019</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 9,059,873
Private purpose trust funds	11,212
Agency funds	<u>116,934</u>
Total	<u>\$ 9,188,019</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - INTERFUND TRANSACTIONS

- A. Due to/from other funds consisted of the following at June 30, 2017, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 2,509</u>

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

- B. Interfund loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 15,000</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Miami 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 as an advance at June 30, 2017 was \$675,130 in the general fund, \$171,373 in the bond retirement fund, \$21,398 in the permanent improvement fund (a nonmajor governmental fund) and \$13,303 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$421,402 in the general fund, \$98,519 in the bond retirement fund, \$14,381 in the permanent improvement fund (a nonmajor governmental fund) and \$8,940 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 201,824,090	95.73	\$ 219,353,230	95.86
Public utility personal	<u>8,998,800</u>	<u>4.27</u>	<u>9,464,660</u>	<u>4.14</u>
Total	<u>\$ 210,822,890</u>	<u>100.00</u>	<u>\$ 228,817,890</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General	\$38.00		\$38.00	
Bond	4.69		5.10	
Permanent improvement	0.80		0.80	
Facilities maintenance	0.50		0.50	

NOTE 7 - INCOME TAX

In November 2011, the District voters approved the replacement of the 1.00% tax on all income of individuals. Income taxes are now levied at 1.75% on earned income of individuals residing in the District. Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 5,450,837
Income taxes	1,148,595
Accounts	19,765
Accrued interest	3,295
Intergovernmental:	
Title VI-B	3,381
Title I	62,250
Miscellaneous reimbursements	<u>27,116</u>
 Total	 <u>\$ 6,715,239</u>

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

NOTE 9 - CAPITAL ASSETS

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

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2017</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 303,182			\$ 303,182
Construction in progress	-	65,000	-	65,000
Total capital assets, not being depreciated	<u>303,182</u>	<u>65,000</u>	<u>-</u>	<u>368,182</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,659,726	-	-	1,659,726
Buildings and improvements	29,276,499	791	-	29,277,290
Furniture, fixtures and equipment	2,203,061	49,508	(6,999)	2,245,570
Vehicles	1,747,004	249,337	-	1,996,341
Total capital assets, being depreciated	<u>34,886,290</u>	<u>299,636</u>	<u>(6,999)</u>	<u>35,178,927</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(777,742)	(68,430)	-	(846,172)
Buildings and improvements	(4,914,351)	(598,640)	-	(5,512,991)
Furniture, fixtures and equipment	(1,649,801)	(111,260)	5,801	(1,755,260)
Vehicles	(1,159,396)	(114,240)	-	(1,273,636)
Total accumulated depreciation	<u>(8,501,290)</u>	<u>(892,570)</u>	<u>5,801</u>	<u>(9,388,059)</u>
Governmental activities capital assets, net	<u>\$ 26,688,182</u>	<u>\$ (527,934)</u>	<u>\$ (1,198)</u>	<u>\$ 26,159,050</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 258,165
Special	37,106
Vocational	17,226

Support services:

Pupil	61,947
Instructional staff	36,054
Board of education	228
Administration	50,825
Fiscal	4,626
Business	3,862
Operations and maintenance	97,582
Pupil transportation	116,998
Central	55,952
Food service operations	50,675
Extracurricular	<u>101,324</u>
Total depreciation expense	<u>\$ 892,570</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/17</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
2007 School Improvement Refunding Bonds					
4.00-4.25% - Serial Bonds \$3,450,000	\$ 2,565,000	\$ -	\$ -	\$ 2,565,000	\$ -
4.25-4.50% - Term Bonds \$6,020,000	6,020,000	-	-	6,020,000	-
11.85-11.98% stated rate - Original Issue on Capital Appreciation Bonds \$744,998	332,499	-	(173,848)	158,651	158,651
Accretion on Capital Appreciation Bonds	622,076	85,218	(356,152)	351,142	351,142
Premium on Debt Issue	347,116	-	(24,794)	322,322	-
2009 School Improvement Bonds					
2.50% - Serial Bonds \$1,120,000	175,000	-	(175,000)	-	-
14.96-14.98% stated rate - Original Issue on Capital Appreciation Bonds \$99,997	99,997	-	-	99,997	53,523
Accretion on Capital Appreciation Bonds	173,675	40,967	-	214,642	126,477
Premium on Debt Issue	2,425	-	(2,425)	-	-
2016A School Improvement Refunding Bonds					
2.00-4.00% Serial Bonds \$4,590,000	4,590,000	-	-	4,590,000	15,000
4.00% Term Bonds \$735,000	735,000	-	-	735,000	-
Premium on Debt Issue	620,242	-	(28,961)	591,281	-
Net pension liability	15,720,426	3,550,236	-	19,270,662	-
Compensated absences	952,950	243,766	(85,817)	1,110,899	235,556
Total long-term obligations, governmental activities	<u>\$ 32,956,406</u>	<u>\$ 3,920,187</u>	<u>\$ (846,997)</u>	<u>\$ 36,029,596</u>	<u>\$ 940,349</u>

The 2007 School Improvement Refunding Bonds were issued March 29, 2007, for the purpose of advance refunding the \$8,215,000 outstanding School Improvement Bonds. The net proceeds of the 2007 bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. A portion of the proceeds were used to pay off a \$2,000,000 note.

The Current Interest Refunding Bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Sinking Fund Redemption Date</u>	<u>Principal Amount to be Redeemed</u>	<u>Maturity Date</u>	<u>Principal at Maturity</u>
12/1/2020	\$605,000	12/1/2021	\$640,000
12/1/2023	\$700,000	12/1/2024	\$735,000

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Unless otherwise called for redemption, the principal amount on the bonds is to be paid at stated maturity.

The Current Interest Refunding Bonds due December 1, 2029 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2026 and each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemend</u>
2026	\$805,000
2027	\$840,000
2028	\$875,000

Unless otherwise called for redemption, the remaining \$820,000 principal amount of the Bonds due December 1, 2029 is to be paid at stated maturity.

The Current Interest Refunding Bonds maturing on December 1, 2017 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after June 1, 2017 at par, which is 100 percent of the face value of the Current Interest Refunding Bonds.

If fewer than all of the outstanding Current Interest Refunding Bonds of a single maturity are called for redemption, the selection of the Current Interest Refunding Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar (as hereinafter defined) in any manner which the Paying Agent and Registrar may determine. In the case of a partial redemption of Current Interest Refunding Bonds when Bonds of denominations greater than \$5,000 are then outstanding, each \$5,000 unit of face value of principal thereof shall be treated as though it were a separate Current Interest Refunding Bond of the denomination of \$5,000. If one or more, but not all, of such \$5,000 units of face value represented by a Current Interest Refunding Bond are to be called for redemption, then upon notice of redemption of a \$5,000 unit or units, the registered holder of that Bond shall surrender the Current Interest Refunding Bond to the Paying Agent and Registrar (a) for payment of the redemption price for the \$5,000 unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium) and (b) for issuance, without change to the registered holder thereof, of a new Current Interest Refunding Bond or Bonds of the same series, of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Current Interest Refunding Bonds surrendered.

The 2007 capital appreciation bonds issued at \$744,998 are not subject to prior redemption. The remaining capital appreciation bonds mature in fiscal year 2018, with a maturity amount of \$540,000 in fiscal year 2018. For fiscal year 2017, the remaining capital appreciation bonds were accreted \$351,142.

The 2009 School Improvement Bonds were issued April 29, 2009, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, and site improvements. During fiscal year 2016, \$5,355,000 of the 2009 School Improvement Bonds were refunded by the Series 2016A School Improvement Refunding Bonds.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The 2009 capital appreciation bonds issued at \$99,997 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2018 and 2019, with a maturity amount of \$180,000 during both fiscal years. For fiscal year 2017, the capital appreciation bonds were accreted \$214,642.

During fiscal year 2016, the District issued \$5,325,000 in Series 2016A School Improvement Refunding Bonds to refund \$5,355,000 of the 2009 School Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2017 was \$5,355,000.

The issue is comprised of current interest bonds, par value \$5,325,000. The interest rates on the current interest bonds range from 2.00% - 4.00%.

The reacquisition price exceeded the net carrying amount of the old debt by \$434,083. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2027. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,078,633 and resulted in an economic gain of \$779,846.

The detail on the net pension liability can be found in Note 12. The general fund typically is used to liquidate the net pension liability.

Compensated absences will be paid from the general fund and food service fund (a nonmajor governmental fund). The bonds will be paid from the bond retirement fund.

The following table provides a summary of the District's future obligation for the general obligation bonds:

Fiscal Year Ending June 30,	2007 School Improvement Refunding Bonds					
	Serial and Term Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ -	\$ 369,711	\$ 369,711	\$ 158,651	\$ 381,349	\$ 540,000
2019	555,000	358,610	913,610	-	-	-
2020	580,000	335,910	915,910	-	-	-
2021	605,000	311,454	916,454	-	-	-
2022	640,000	284,998	924,998	-	-	-
2023 - 2027	3,670,000	983,699	4,653,699	-	-	-
2028 - 2030	2,535,000	170,211	2,705,211	-	-	-
Total	<u>\$ 8,585,000</u>	<u>\$ 2,814,593</u>	<u>\$ 11,399,593</u>	<u>\$ 158,651</u>	<u>\$ 381,349</u>	<u>\$ 540,000</u>

Fiscal Year Ending June 30,	2009 School Improvement Bonds		
	Capital Appreciation Bonds		
Principal	Interest	Total	
2018	\$ 53,523	\$ 126,477	\$ 180,000
2019	46,474	133,526	180,000
Total	<u>\$ 99,997</u>	<u>\$ 260,003</u>	<u>\$ 360,000</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	2016A School Improvement Refunding Bonds		
	Serial and Term Bonds		
	Principal	Interest	Total
2018	\$ 15,000	\$ 193,340	\$ 208,340
2019	15,000	193,040	208,040
2020	195,000	189,965	384,965
2021	205,000	183,965	388,965
2022	210,000	177,740	387,740
2023 - 2027	1,165,000	786,300	1,951,300
2028 - 2032	1,415,000	549,850	1,964,850
2033 - 2037	1,725,000	236,050	1,961,050
2038	380,000	5,795	385,795
Total	<u>\$ 5,325,000</u>	<u>\$ 2,516,045</u>	<u>\$ 7,841,045</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017 are a voted debt margin of \$8,222,415, including available funds of \$1,797,453, and an unvoted debt margin of \$228,818.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, along with other Districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual District enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the Hylant Administrative Services, LLC (See Note 18). The District contracts for property, fleet, inland marine coverage, crime insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with the OSP.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in insurance coverage from the last fiscal year.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - RISK MANAGEMENT - (Continued)

Workers' Compensation

For fiscal year 2017, the District participated in the Ohio School Comp Workers' Compensation Group Retro Experience Rating Program, an insurance purchasing pool (Note 18). The intent of the Program is designed to reward participants that are able to keep their claim costs below a predetermined amount. Districts continue to pay their individual premium; however, they have the opportunity to receive retrospective premium adjustments. Districts committed to improving workplace safety and accident prevention in order to reduce the frequency and severity of accidents involving their employees, should investigate this program further as an additional savings tool. The firm of Comp Management, a Sedgwick Company, provides administrative, cost control, and actuarial services to the Program.

Medical Benefits

For fiscal year 2017, the District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 93 Districts (Note 18). The District pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 - 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 District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$207,924 for fiscal year 2017. Of this amount, \$14,265 is reported as pension and postemployment benefits payable.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District 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 District’s contractually required contribution to STRS was \$725,930 for fiscal year 2017. Of this amount, \$114,916 is reported as pension and postemployment benefits payable.

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 District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.043753%	0.04784818%	
Proportion of the net pension liability current measurement date	<u>0.0451114%</u>	<u>0.04770686%</u>	
Change in proportionate share	<u>0.00135840%</u>	<u>-0.00014132%</u>	
Proportionate share of the net pension liability	\$ 3,301,738	\$ 15,968,924	\$ 19,270,662
Pension expense	\$ 349,873	\$ 1,098,422	\$ 1,448,295

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 44,532	\$ 645,222	\$ 689,754
Net difference between projected and actual earnings on pension plan investments	272,345	1,325,849	1,598,194
Changes of assumptions	220,409	-	220,409
Difference between District contributions and proportionate share of contributions/ change in proportionate share	58,000	-	58,000
District contributions subsequent to the measurement date	<u>207,924</u>	<u>725,930</u>	<u>933,854</u>
Total deferred outflows of resources	<u>\$ 803,210</u>	<u>\$ 2,697,001</u>	<u>\$ 3,500,211</u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 20,411</u>	<u>\$ 147,492</u>	<u>\$ 167,903</u>
Total deferred inflows of resources	<u>\$ 20,411</u>	<u>\$ 147,492</u>	<u>\$ 167,903</u>

\$933,854 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 146,190	\$ 265,204	\$ 411,394
2019	145,994	265,204	411,198
2020	204,402	773,970	978,372
2021	<u>78,289</u>	<u>519,201</u>	<u>597,490</u>
Total	<u>\$ 574,875</u>	<u>\$ 1,823,579</u>	<u>\$ 2,398,454</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 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 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 4,371,296	\$ 3,301,738	\$ 2,406,474

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$21,221,403	\$ 15,968,924	\$ 11,538,149

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$25,038.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$25,038, \$23,381, and \$33,793, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 14 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation or compensatory time. Personal leave is accrued at three days per fiscal year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Unused personal leave accumulation over five days may be converted to sick leave, cashed out, or donated to a sick leave bank. Accumulated, unused personal time is not paid upon termination of employment. Employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 240 hours and any accumulated, unused balance is paid out upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 324 days for all certified employees and 300 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 314 days for certified employees and 290 days for classified employees.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - OTHER EMPLOYEE BENEFITS - (Continued)

Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through the Sun Life Assurance Company of Canada. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) (Note 18). The District also provides dental insurance through Delta Dental and vision insurance through Vision Insurance Plan to all eligible employees.

Deferred Compensation Plan

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

125 Plan

The District provides its full-time employees, except those employed on an as needed basis, an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that benefit year. Any monies not used by the end of the plan year are forfeited to the District. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each benefit year beginning October 1 and ending September 30. This plan has been included as an Agency Fund and is administered by Horace Mann.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 912,362
Net adjustment for revenue accruals	206,839
Net adjustment for expenditure accruals	(41,998)
Net adjustment for other sources/uses	(7,718)
Funds budgeted elsewhere	24,102
Adjustment for encumbrances	559,312
GAAP basis	<u>\$ 1,652,899</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. ODE has finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District and the financial statement impact was not significant.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	231,095
Current year offsets	<u>(249,105)</u>
Total	<u>\$ (18,010)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

The District had current year offsets that reduced the capital improvements set-aside amount to zero.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND
PUBLIC ENTITY RISK SHARING POOL**

Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2017, the District paid META Solutions \$66,181 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council:

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2017, the District did not make any payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Insurance Purchasing Pools

Ohio School Comp Workers' Compensation Group Retro Rating Program:

The District participates in the Ohio School Comp Workers' Compensation Group Retro Rating Program (GRP), an insurance purchasing pool provided by Ohio School Board Association (OSBA). The GRP's business and affairs are conducted by a Board of Trustees consisting of a President and regional representatives. OSBA's executive director and regional managers serve on the board in an ex officio capacity. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program. CompManagement, a Sedgwick Company, administers the GRP.

Ohio School Plan:

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL - (Continued)

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust:

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical/surgical, dental, vision, life, and accidental death and dismemberment insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 19 - 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:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 506,902
Other governmental	<u>98,052</u>
Total	<u>\$ 604,954</u>

NOTE 20 - SUBSEQUENT EVENT

In January 2018, the District issued \$8,245,000 in School Improvement Refunding Bonds, Series 2018 to refund \$8,585,000 of the 2007 School Improvement Refunding Bonds. The bonds carry interest rates ranging from 2.00-4.00% and have a final maturity date of December 1, 2029.

REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04511140%	0.04375300%	0.04453500%	0.04453500%
District's proportionate share of the net pension liability	\$ 3,301,738	\$ 2,496,589	\$ 2,253,891	\$ 2,648,354
District's covered payroll	\$ 1,404,507	\$ 1,317,193	\$ 1,294,098	\$ 1,304,783
District's proportionate share of the net pension liability as a percentage of its covered payroll	235.08%	189.54%	174.17%	202.97%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04770686%	0.04784818%	0.04857817%	0.04857817%
District's proportionate share of the net pension liability	\$ 15,968,924	\$ 13,223,837	\$ 11,815,892	\$ 14,075,013
District's covered payroll	\$ 5,060,821	\$ 5,053,914	\$ 4,963,354	\$ 4,912,854
District's proportionate share of the net pension liability as a percentage of its covered payroll	315.54%	261.66%	238.06%	286.49%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 207,924	\$ 196,631	\$ 173,606	\$ 179,362
Contributions in relation to the contractually required contribution	<u>(207,924)</u>	<u>(196,631)</u>	<u>(173,606)</u>	<u>(179,362)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,485,171	\$ 1,404,507	\$ 1,317,193	\$ 1,294,098
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 180,582	\$ 174,885	\$ 167,429	\$ 239,753	\$ 139,207	\$ 123,632
<u>(180,582)</u>	<u>(174,885)</u>	<u>(167,429)</u>	<u>(239,753)</u>	<u>(139,207)</u>	<u>(123,632)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,304,783	\$ 1,300,260	\$ 1,331,973	\$ 1,770,702	\$ 1,414,705	\$ 1,258,982
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 725,930	\$ 708,515	\$ 707,548	\$ 645,236
Contributions in relation to the contractually required contribution	<u>(725,930)</u>	<u>(708,515)</u>	<u>(707,548)</u>	<u>(645,236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,185,214	\$ 5,060,821	\$ 5,053,914	\$ 4,963,354
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 638,671	\$ 642,141	\$ 685,169	\$ 667,169	\$ 644,726	\$ 620,915
<u>(638,671)</u>	<u>(642,141)</u>	<u>(685,169)</u>	<u>(667,169)</u>	<u>(644,726)</u>	<u>(620,915)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,912,854	\$ 4,939,546	\$ 5,270,531	\$ 5,132,069	\$ 4,959,431	\$ 4,776,269
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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 EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$1,311,218 which represents a 72.78% increase from 2015.
- General revenues accounted for \$13,598,605 in revenue or 86.72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,083,340 or 13.28% of total revenues of \$15,681,945.
- The District had \$14,370,727 in expenses related to governmental activities; \$2,083,340 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,598,605 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$13,482,474 in revenues and other financing sources and \$11,879,946 in expenditures. During fiscal year 2016, the general fund's fund balance increased \$1,602,528 from \$3,688,552 to \$5,291,080.
- The bond retirement fund had \$7,051,389 in revenues and other financing sources and \$7,289,898 in expenditures and other financing uses. During fiscal year 2016, the bond retirement fund's fund balance decreased \$238,509 from \$2,139,396 to \$1,900,887.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 83-84 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 79. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

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* than can readily be converted to cash. The governmental fund financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 85-89 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 90 and 91. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 93-128 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 130-136 of this report.

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole.

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015. The net position at June 30, 2015 has been restated as described in Note 20.

	Net Position	
	Governmental Activities 2016	Restated Governmental Activities 2015
<u>Assets</u>		
Current and other assets	\$ 14,164,800	\$ 13,091,739
Capital assets, net	<u>26,688,182</u>	<u>27,369,798</u>
Total assets	<u>40,852,982</u>	<u>40,461,537</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	652,357	233,865
Pension	<u>1,549,768</u>	<u>1,014,091</u>
Total deferred outflows of resources	<u>2,202,125</u>	<u>1,247,956</u>
<u>Liabilities</u>		
Current liabilities	1,367,466	1,454,534
Long-term liabilities:		
Due within one year	871,888	880,550
Due in more than one year:		
Net pension liability	15,720,426	14,069,783
Other amounts	<u>16,364,092</u>	<u>16,508,228</u>
Total liabilities	<u>34,323,872</u>	<u>32,913,095</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	4,365,211	4,443,049
Pensions	<u>1,253,255</u>	<u>2,551,798</u>
Total deferred inflows of resources	<u>5,618,466</u>	<u>6,994,847</u>
<u>Net Position</u>		
Net investment in capital assets	11,853,260	12,253,404
Restricted	2,047,486	2,158,462
Unrestricted (deficit)	<u>(10,787,977)</u>	<u>(12,610,315)</u>
Total net position	<u>\$ 3,112,769</u>	<u>\$ 1,801,551</u>

During a previous fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$3,112,769. Of this total, \$2,047,486 is restricted in use.

Assets of the District increased \$391,445 or 0.97%. This increase is due mainly to an increase in equity in pooled cash and cash equivalents. Equity in pooled cash and cash equivalents was helped by an increase in cash in the general fund due to good management of cash flows.

At year-end, capital assets represented 65.33% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Net investment in capital assets at June 30, 2016, was \$11,853,260. 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

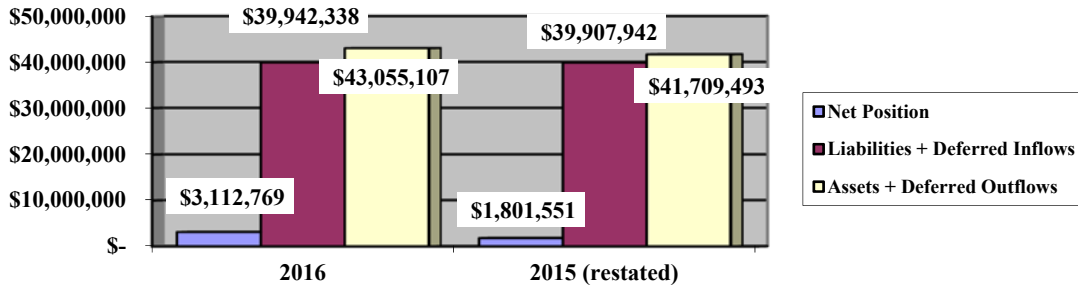
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Liabilities of the District increased \$1,410,777 or 4.29%. This increase was due largely to the increase in net pension liability.

A portion of the District's net position, \$2,047,486, represents resources that are subject to external restriction on how they may be used. The largest portion of restricted net position is \$1,070,644 that is restricted for debt service. The remaining balance of unrestricted net position is (\$10,787,977). The increase in unrestricted net position is associated with the increase in general fund balance as described later.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and June 30, 2015. The net position at June 30, 2015 has been restated as described in Note 20.

Governmental Activities



The table below shows the change in net position for fiscal year 2016 and 2015. The net position at June 30, 2015 has been restated as described in Note 20.

	Change in Net Position	
	Governmental Activities 2016	Restated Governmental Activities 2015
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,266,877	\$ 1,130,662
Operating grants and contributions	816,463	897,937
Capital grants and contributions	-	634
General revenues:		
Property taxes	4,898,439	5,111,979
Income taxes	3,237,193	2,937,010
Grants and entitlements	5,399,846	5,197,136
Investment earnings	26,216	13,109
Miscellaneous	36,911	80,198
Total revenues	<u>15,681,945</u>	<u>15,368,665</u>

(Continued)

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Change in Net Position (Continued)	
	Governmental	Restated
	Activities	Governmental
	<u>2016</u>	<u>2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,590,010	\$ 5,447,830
Special	1,358,277	1,304,435
Vocational	88,953	85,658
Other	892,865	831,911
Support services:		
Pupil	674,302	655,481
Instructional staff	529,815	442,521
Board of education	27,490	23,025
Administration	761,300	812,306
Fiscal	372,477	379,912
Business	61,878	57,402
Operations and maintenance	1,218,357	1,293,314
Pupil transportation	862,014	925,519
Central	107,749	106,411
Operations of non-instructional services:		
Other non-instructional services	2,459	20,267
Food service operations	413,433	418,484
Extracurricular activities	534,223	491,363
Interest and fiscal charges	<u>875,125</u>	<u>777,879</u>
Total expenses	<u>14,370,727</u>	<u>14,073,718</u>
Change in net position	1,311,218	1,294,947
Net position at beginning of year - restated	<u>1,801,551</u>	N/A
Net position at end of year	<u><u>\$ 3,112,769</u></u>	<u><u>\$ 1,801,551</u></u>

Governmental Activities

Net position of the District's governmental activities increased \$1,311,218. Total governmental expenses of \$14,370,727 were offset by program revenues of \$2,083,340 and general revenues of \$13,598,605. Program revenues supported 14.50% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 86.31% of total governmental revenue. Revenues of the District increased \$313,280 or 2.04%. This increase was the result of increases in income taxes, tuition revenues and State foundation fund that countered a decrease in property tax revenues.

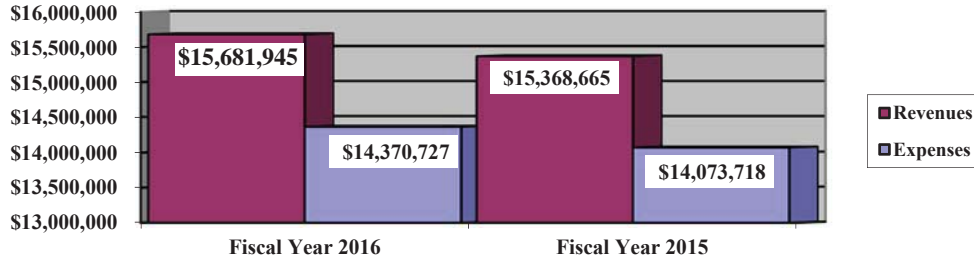
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,930,105 or 55.18% of total governmental expenses for fiscal year 2016.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2016 and 2015.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. The total cost of services represents the total cost the District incurred to provide the service and the net cost of services represents the cost of the service after applying specific program revenues attributable to that service.

Governmental Activities

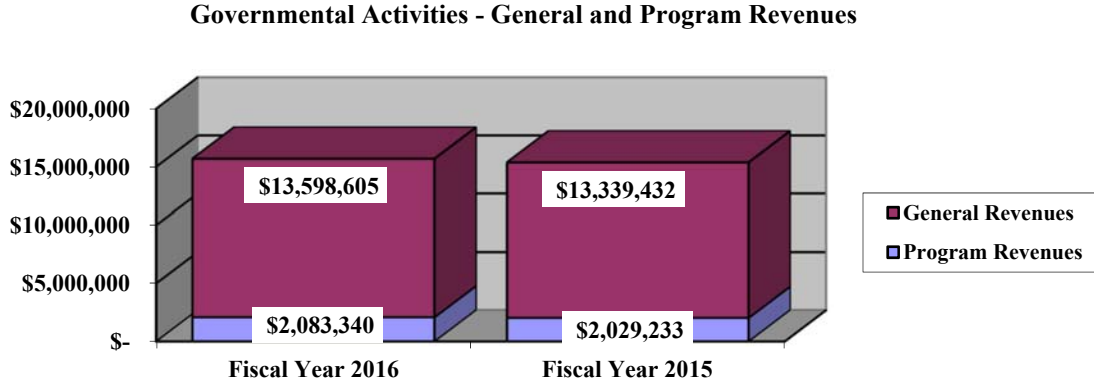
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses				
Instruction:				
Regular	\$ 5,590,010	\$ 4,725,449	\$ 5,447,830	\$ 4,690,269
Special	1,358,277	791,513	1,304,435	647,540
Vocational	88,953	57,677	85,658	78,629
Other	892,865	892,865	831,911	831,911
Support services:				
Pupil	674,302	667,321	655,481	648,431
Instructional staff	529,815	524,125	442,521	434,377
Board of education	27,490	27,490	23,025	23,025
Administration	761,300	759,145	812,306	811,177
Fiscal	372,477	350,324	379,912	358,812
Business	61,878	61,773	57,402	57,402
Operations and maintenance	1,218,357	1,204,914	1,293,314	1,283,227
Pupil transportation	862,014	799,942	925,519	859,430
Central	107,749	107,749	106,411	106,411
Operations of non-instructional services:				
Other non-instructional services	2,459	1,827	20,267	7,338
Food service operations	413,433	49,787	418,484	71,558
Extracurricular activities	534,223	390,361	491,363	357,069
Interest and fiscal charges	875,125	875,125	777,879	777,879
Total expenses	<u>\$ 14,370,727</u>	<u>\$ 12,287,387</u>	<u>\$ 14,073,718</u>	<u>\$ 12,044,485</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 81.56% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.50%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The graph below presents the District's governmental activities revenues for fiscal year 2016 and 2015.



The District's Funds

The District's governmental funds reported a combined fund balance of \$8,158,007 which is more than last year's total of \$6,797,279. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015. The fund balance at June 30, 2015 has been restated as described in Note 20.

	Fund Balance June 30, 2016	Restated Fund Balance June 30, 2015	Change	Percentage Change
General	\$ 5,291,080	\$ 3,688,552	\$ 1,602,528	43.45 %
Bond Retirement	1,900,887	2,139,396	(238,509)	(11.15) %
Other Governmental	966,040	969,331	(3,291)	(0.34) %
Total	<u>\$ 8,158,007</u>	<u>\$ 6,797,279</u>	<u>\$ 1,360,728</u>	20.02 %

General Fund

The District's general fund balance increased \$1,602,528.

Revenues of the general fund increased \$687,634 or 5.37%. This increase can be attributed to an increase in income tax revenues, tuition revenues and State foundation payments.

Expenditures of the general fund increased \$163,654 or 1.40%. The most significant increase was in the area of instruction services. These increases resulted from salary and benefit increases to District staff.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,960,026	\$ 6,656,244	\$ 303,782	4.56 %
Tuition	789,749	675,811	113,938	16.86 %
Earnings on investments	26,216	13,109	13,107	99.98 %
Intergovernmental	5,557,571	5,281,211	276,360	5.23 %
Other revenues	<u>147,778</u>	<u>167,331</u>	<u>(19,553)</u>	(11.69) %
 Total	 <u>\$ 13,481,340</u>	 <u>\$ 12,793,706</u>	 <u>\$ 687,634</u>	 5.37 %
<u>Expenditures</u>				
Instruction	\$ 7,386,407	\$ 7,228,346	\$ 158,061	2.19 %
Support services	4,184,694	4,178,194	6,500	0.16 %
Non-instructional services	2,573	8,857	(6,284)	(70.95) %
Extracurricular activities	297,156	288,071	9,085	3.15 %
Facilities acquisition and construction	<u>9,116</u>	<u>12,824</u>	<u>(3,708)</u>	(28.91) %
 Total	 <u>\$ 11,879,946</u>	 <u>\$ 11,716,292</u>	 <u>\$ 163,654</u>	 1.40 %

Bond Retirement Fund

The bond retirement fund had \$7,051,389 in revenues and other financing sources and \$7,289,898 in expenditures and other financing uses. During fiscal year 2016, the bond retirement fund's fund balance decreased \$238,509 from \$2,139,396 to \$1,900,887. The increase in revenues and other financing sources and expenditures and other financing uses from the previous year was the result of the refunding of the Series 2009 bonds that were replaced by the Series 2016A refunding bonds.

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 2016, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$12,952,982. Final budgeted revenues and other financing sources for fiscal year 2016 was \$13,496,231. This represents a \$543,249 increase from original budgeted revenues. Actual revenues and other financing sources were \$13,504,782.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$12,698,610, which were increased to \$12,910,009 in the final appropriations. The actual budget basis expenditures for fiscal year 2016 totaled \$12,752,611, which was \$157,398 less than the original budgeted appropriations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$26,688,182 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2016	2015
Land	\$ 303,182	\$ 303,182
Land improvements	881,984	950,918
Building and improvements	24,362,148	24,954,824
Furniture, fixtures and equipment	553,260	655,839
Vehicles	587,608	505,035
Total	\$ 26,688,182	\$ 27,369,798

The overall decrease in capital assets of \$681,616 is due to depreciation of \$891,241 and disposals (net of accumulated depreciation) of \$7,491 exceeding current year additions of \$217,116. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2016, the District had \$15,313,247 in general obligation bonds payable. Of this total, \$705,000 is due within one year and \$14,608,247 is due in more than one year.

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2016	2015
2007 school improvement refunding bonds	\$ 9,539,575	\$ 9,935,673
2009 school improvement bonds	448,672	5,938,039
2016A school improvement refunding bonds	5,325,000	-
Total	\$ 15,313,247	\$ 15,873,712

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Lisa Fahnce, Treasurer, Miami East Local School District, 3825 N. State Route 589, Casstown, Ohio 45312.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,837,600
Receivables:	
Property taxes	4,971,925
Income taxes.	1,182,974
Accounts.	18,874
Accrued interest	2,308
Intergovernmental	108,879
Materials and supplies inventory.	39,045
Inventory held for resale.	3,195
Capital assets:	
Nondepreciable capital assets	303,182
Depreciable capital assets, net.	26,385,000
Capital assets, net	26,688,182
Total assets.	40,852,982
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	652,357
Pension - STRS.	1,312,637
Pension - SERS.	237,131
Total deferred outflows of resources	2,202,125
 Liabilities:	
Accounts payable.	84,720
Accrued wages and benefits payable	1,021,253
Intergovernmental payable	37,585
Pension and postemployment benefits payable	164,492
Accrued interest payable	45,526
Unearned revenue	13,890
Long-term liabilities:	
Due within one year.	871,888
Due in more than one year:	
Net pension liability	15,720,426
Other amounts due in more than one year	16,364,092
Total liabilities	34,323,872
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,365,211
Pension - STRS.	1,135,723
Pension - SERS.	117,532
Total deferred inflows of resources	5,618,466
 Net position:	
Net investment in capital assets	11,853,260
Restricted for:	
Capital projects	738,867
Classroom facilities maintenance	132,822
Debt service.	1,070,644
Federally funded programs	717
Student activities	15,873
Other purposes	88,563
Unrestricted (deficit)	(10,787,977)
Total net position.	\$ 3,112,769

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,590,010	\$ 837,230	\$ 27,331	\$ (4,725,449)
Special	1,358,277	29,114	537,650	(791,513)
Vocational	88,953	1,101	30,175	(57,677)
Other	892,865	-	-	(892,865)
Support services:				
Pupil	674,302	6,981	-	(667,321)
Instructional staff	529,815	290	5,400	(524,125)
Board of education	27,490	-	-	(27,490)
Administration	761,300	2,155	-	(759,145)
Fiscal	372,477	13,266	8,887	(350,324)
Business	61,878	63	42	(61,773)
Operations and maintenance	1,218,357	4,998	8,445	(1,204,914)
Pupil transportation	862,014	29,719	32,353	(799,942)
Central	107,749	-	-	(107,749)
Operation of non-instructional services:				
Other non-instructional services	2,459	632	-	(1,827)
Food service operations	413,433	218,839	144,807	(49,787)
Extracurricular activities	534,223	122,489	21,373	(390,361)
Interest and fiscal charges	875,125	-	-	(875,125)
Total governmental activities	\$ 14,370,727	\$ 1,266,877	\$ 816,463	(12,287,387)
General revenues:				
Property taxes levied for:				
General purposes				3,757,048
Facilities maintenance				76,757
Debt service				941,218
Capital outlay				123,416
Income taxes levied for:				
General purposes				3,237,193
Grants and entitlements not restricted to specific programs				
Investment earnings				5,399,846
Miscellaneous				26,216
				36,911
Total general revenues				13,598,605
Change in net position				1,311,218
Net position at beginning of year (restated)				1,801,551
Net position at end of year				\$ 3,112,769

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,055,671	\$ 1,800,299	\$ 981,630	\$ 7,837,600
Receivables:				
Property taxes.	3,906,259	859,768	205,898	4,971,925
Income taxes	1,182,974	-	-	1,182,974
Accounts	16,805	2,069	-	18,874
Accrued interest	2,308	-	-	2,308
Intergovernmental.	18,057	-	90,822	108,879
Materials and supplies inventory.	37,478	-	1,567	39,045
Inventory held for resale.	-	-	3,195	3,195
Due from other funds	72,253	-	-	72,253
Total assets	<u>\$ 10,291,805</u>	<u>\$ 2,662,136</u>	<u>\$ 1,283,112</u>	<u>\$ 14,237,053</u>
Liabilities:				
Accounts payable	\$ 69,081	\$ -	\$ 15,639	\$ 84,720
Accrued wages and benefits payable	994,465	-	26,788	1,021,253
Intergovernmental payable	37,306	-	279	37,585
Pension and postemployment benefits payable	159,536	-	4,956	164,492
Due to other funds	-	-	72,253	72,253
Unearned revenue.	3,551	-	10,339	13,890
Total liabilities.	<u>1,263,939</u>	<u>-</u>	<u>130,254</u>	<u>1,394,193</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	3,435,079	750,215	179,917	4,365,211
Delinquent property tax revenue not available.	49,778	11,034	2,660	63,472
Income tax revenue not available	225,560	-	-	225,560
Intergovernmental revenue not available.	-	-	717	717
Miscellaneous revenue not available.	26,369	-	3,524	29,893
Total deferred inflows of resources	<u>3,736,786</u>	<u>761,249</u>	<u>186,818</u>	<u>4,684,853</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	37,478	-	1,567	39,045
Restricted:				
Debt service	-	1,900,887	-	1,900,887
Capital improvements	-	-	737,227	737,227
Classroom facilities maintenance	-	-	131,802	131,802
Food service operations	-	-	95,636	95,636
Other purposes.	-	-	5,235	5,235
Extracurricular activities	-	-	12,349	12,349
Assigned:				
Student instruction	188,528	-	-	188,528
Student and staff support.	510,700	-	-	510,700
Subsequent year's appropriations	20,332	-	-	20,332
Extracurricular activities	1,000	-	-	1,000
Other purposes.	789	-	-	789
Unassigned (deficit).	4,532,253	-	(17,776)	4,514,477
Total fund balances	<u>5,291,080</u>	<u>1,900,887</u>	<u>966,040</u>	<u>8,158,007</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,291,805</u>	<u>\$ 2,662,136</u>	<u>\$ 1,283,112</u>	<u>\$ 14,237,053</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	8,158,007
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,688,182
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	63,472	
Income taxes receivable		225,560	
Accounts receivable		29,893	
Intergovernmental receivable		717	
Total		319,642	319,642
Unamortized premiums on bonds issued are not recognized in the funds.			(969,783)
Unamortized amounts on refundings are not recognized in the funds.			652,357
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(45,526)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		1,549,768	
Deferred inflows of resources - pension		(1,253,255)	
Net pension liability		(15,720,426)	
Total		(15,423,913)	(15,423,913)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(15,313,247)	
Compensated absences		(92,950)	
Total		(16,266,197)	(16,266,197)
Net position of governmental activities		\$	<u>3,112,769</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,748,328	\$ 943,503	\$ 199,713	\$ 4,891,544
Income taxes	3,211,698	-	-	3,211,698
Tuition	789,749	-	-	789,749
Transportation fees	4,293	-	23,810	28,103
Earnings on investments	26,216	-	279	26,495
Charges for services	-	-	233,493	233,493
Extracurricular	16,211	-	119,139	135,350
Classroom materials and fees	75,080	-	-	75,080
Rental income	4,998	-	-	4,998
Contributions and donations	9,788	-	12,070	21,858
Other local revenues	36,314	-	11,051	47,365
Intergovernmental - intermediate	1,094	-	-	1,094
Intergovernmental - state	5,557,571	162,644	40,194	5,760,409
Intergovernmental - federal	-	-	488,450	488,450
Total revenues	<u>13,481,340</u>	<u>1,106,147</u>	<u>1,128,199</u>	<u>15,715,686</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,421,819	-	27,331	5,449,150
Special	1,000,027	-	321,808	1,321,835
Vocational	71,690	-	1,749	73,439
Other	892,871	-	-	892,871
Support services:				
Pupil	656,705	-	-	656,705
Instructional staff	487,804	-	9,448	497,252
Board of education	27,460	-	-	27,460
Administration	741,774	-	-	741,774
Fiscal	330,527	15,022	24,488	370,037
Business	57,916	-	100	58,016
Operations and maintenance	910,510	-	103,623	1,014,133
Pupil transportation	921,693	-	30,828	952,521
Central	50,305	-	-	50,305
Operation of non-instructional services:				
Other non-instructional services	2,573	-	-	2,573
Food service operations	-	-	348,080	348,080
Extracurricular activities	297,156	-	149,033	446,189
Facilities acquisition and construction	9,116	-	115,002	124,118
Debt service:				
Principal retirement	-	364,584	-	364,584
Interest and fiscal charges	-	629,634	-	629,634
Bond issuance costs	-	95,217	-	95,217
Accretion on capital appreciation bonds	-	335,416	-	335,416
Total expenditures	<u>11,879,946</u>	<u>1,439,873</u>	<u>1,131,490</u>	<u>14,451,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,601,394</u>	<u>(333,726)</u>	<u>(3,291)</u>	<u>1,264,377</u>
Other financing sources (uses):				
Premium on bonds and notes sold	-	620,242	-	620,242
Sale of bonds	-	5,325,000	-	5,325,000
Sale of capital assets	1,134	-	-	1,134
Payment to refunded bond escrow agent	-	(5,850,025)	-	(5,850,025)
Total other financing sources (uses)	<u>1,134</u>	<u>95,217</u>	<u>-</u>	<u>96,351</u>
Net change in fund balances	1,602,528	(238,509)	(3,291)	1,360,728
Fund balances at beginning of year (restated)	<u>3,688,552</u>	<u>2,139,396</u>	<u>969,331</u>	<u>6,797,279</u>
Fund balances at end of year	<u>\$ 5,291,080</u>	<u>\$ 1,900,887</u>	<u>\$ 966,040</u>	<u>\$ 8,158,007</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental fund:	\$	1,360,728
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 217,116	
Current year depreciation	<u>(891,241)</u>	
Total		(674,125)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(7,491)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	6,895	
Income taxes	25,495	
Other local revenue	(6,839)	
Intergovernmental	<u>(59,292)</u>	
Total		(33,741)
Repayment of bond and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	364,584	
Payment of accretion	<u>335,416</u>	
Total		700,000
Issuances of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(5,325,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	5,355,000	
Premiums refunded	60,942	
Deferred charges on refundings	<u>434,083</u>	
Total		5,850,025
Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.		
		(620,242)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	7,156	
Accreted interest on capital appreciation bonds	(169,535)	
Amortization of bond premiums	27,696	
Amortization of deferred charges	<u>(15,591)</u>	
Total		(150,274)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		905,146
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(721,569)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>27,761</u>
Change in net position of governmental activities:	\$	<u>1,311,218</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 3,791,040	\$ 3,891,427	\$ 3,891,427	\$ -
Income taxes	2,960,831	3,122,219	3,122,219	-
Tuition	675,811	789,749	789,749	-
Transportation fees	2,415	4,293	4,293	-
Earnings on investments	13,105	25,259	25,259	-
Extracurricular	1,347	1,452	1,452	-
Classroom materials and fees	37,486	41,113	41,113	-
Rental income	8,578	4,998	4,998	-
Contributions and donations	21,217	4,193	4,193	-
Other local revenues	36,389	21,619	21,619	-
Intergovernmental - intermediate	1,121	1,089	1,089	-
Intergovernmental - state	5,321,948	5,565,245	5,573,796	8,551
Total revenues	12,871,288	13,472,656	13,481,207	8,551
Expenditures:				
Current:				
Instruction:				
Regular	5,733,017	5,617,127	5,605,973	11,154
Special	982,440	1,025,680	1,025,148	532
Vocational	74,214	72,895	72,328	567
Other	887,945	913,651	899,651	14,000
Support services:				
Pupil	624,187	648,858	645,765	3,093
Instructional staff	458,178	646,866	631,476	15,390
Board of education	29,936	28,028	27,527	501
Administration	818,306	791,104	788,263	2,841
Fiscal	368,516	347,170	342,588	4,582
Business	59,218	65,421	65,218	203
Operations and maintenance	1,109,827	1,114,277	1,029,216	85,061
Pupil transportation	1,206,764	1,266,545	1,251,071	15,474
Central	62,818	51,820	51,820	-
Other operation of non-instructional services	7,341	8,195	7,195	1,000
Extracurricular activities	248,576	303,182	300,182	3,000
Facilities acquisition and construction	12,776	9,116	9,116	-
Total expenditures	12,684,059	12,909,935	12,752,537	157,398
Excess of revenues over expenditures	187,229	562,721	728,670	165,949
Other financing sources (uses):				
Refund of prior year's expenditures	33,365	22,367	22,367	-
Refund of prior year's receipts	(3,027)	-	-	-
Advances in	46,097	74	74	-
Advances (out)	(11,524)	(74)	(74)	-
Sale of capital assets	2,232	1,134	1,134	-
Total other financing sources (uses)	67,143	23,501	23,501	-
Net change in fund balance	254,372	586,222	752,171	165,949
Fund balance at beginning of year	3,104,650	3,104,650	3,104,650	-
Prior year encumbrances appropriated	502,608	502,608	502,608	-
Fund balance at end of year	\$ 3,861,630	\$ 4,193,480	\$ 4,359,429	\$ 165,949

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 11,408	\$ 101,338
Receivables:		
Accounts	-	1,222
Total assets.	11,408	\$ 102,560
Liabilities:		
Due to students.	-	\$ 89,470
Undistributed monies	-	13,090
Total liabilities	-	\$ 102,560
Net position:		
Held in trust for scholarships	11,408	
Total net position.	\$ 11,408	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 32
Total additions	32
 Deductions:	
Scholarships awarded	4,529
Change in net position	(4,497)
Net position at beginning of year	15,905
Net position at end of year	\$ 11,408

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

The District was established in 1956 through the consolidation of existing land areas and Districts. The District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District participates in two jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association (META) Solutions
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Ohio School Comp Workers' Compensation Group Retro Rating Program
Ohio School Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

B. Fund Accounting

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

Governmental Funds

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

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

Bond retirement fund - The bond retirement fund accounts for and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specific purposes other than debt service or capital projects.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's two trust funds are private purpose trusts which account for college scholarship programs for students. One of the District's two agency funds accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor. The other agency fund accounts for activity related to the Section 125 benefit plan for employees.

C. Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial 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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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, current deferred outflows of resources, current liabilities and current 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

E. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 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. "Measurable" means that the amount of the transaction can be determined, and "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 60 days of fiscal year-end.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will 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. For the District, See Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2016, the District invested in STAR Ohio. 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 its 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 fiscal year 2016, 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 Statute, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2016 amounted to \$26,216 which includes \$10,387 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash and cash equivalents.

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Inventory consists of expendable supplies held for consumption, donated food and purchased food held for resale.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, 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 an expenditure/expense is reported in the fiscal year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance. There were no prepaid items at year-end.

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$750. 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 capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	7 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	3 - 15 years
Vehicles	5 - 10 years

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

Vacation, compensatory time, and personal leave 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. The District records a liability for unused personal leave and compensatory time for all employees who have a balance at the end of the fiscal year.

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

The entire compensated absences liability is reported on the government-wide financial statements.

L. Unamortized Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of bonds payable. Issuance costs are expensed in the year they occur.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued. Accretion on the capital appreciation bonds is not recorded.

M. Loss on Advance Refunding

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain/loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This amount is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

Q. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". Receivables and payables resulting from negative cash balances are classified as "due to/due from other funds". These amounts are eliminated in the governmental type activities columns of the statement of net position.

R. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The public school preschool fund (a nonmajor governmental fund) is administered by a fiscal agent and is not budgeted by the District. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Estimates

The preparation of the 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.

T. 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.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2016, the District had neither type of occurrence.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The District participated in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on the beginning net position/fund balance.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 17,776

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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.

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$7,046,929. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$1,821,163 of the District's bank balance of \$7,091,607 was exposed to custodial risk as discussed below, while \$5,270,444 was covered by the FDIC.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2016, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 903,417	\$ 903,417

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, 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 investment or collateral securities that are in the possession of an outside party. The District’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 903,417	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,046,929
Investments	<u>903,417</u>
Total	<u>\$ 7,950,346</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,837,600
Private purpose trust funds	11,408
Agency funds	<u>101,338</u>
Total	<u>\$ 7,950,346</u>

NOTE 5 - INTERFUND TRANSACTIONS

Due to/from other funds consisted of the following at June 30, 2016, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 72,253</u>

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Miami 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$421,402 in the general fund, \$98,519 in the bond retirement fund, \$14,381 in the permanent improvement fund (a nonmajor governmental fund) and \$8,940 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$564,501 in the general fund, \$193,327 in the bond retirement fund, \$19,284 in the permanent improvement fund (a nonmajor governmental fund) and \$11,988 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 199,360,450	95.74	\$ 201,824,090	95.73
Public utility personal	<u>8,860,820</u>	<u>4.26</u>	<u>8,998,800</u>	<u>4.27</u>
Total	<u>\$ 208,221,270</u>	<u>100.00</u>	<u>\$ 210,822,890</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General	\$38.08		\$38.00	
Bond	6.80		4.69	
Permanent improvement	0.80		0.80	
Facilities maintenance	0.50		0.50	

NOTE 7 - INCOME TAX

In November 2011, the District voters approved the replacement of the 1.00% tax on all income of individuals. Income taxes are now levied at 1.75% on earned income of individuals residing in the District. Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 4,971,925
Income taxes	1,182,974
Accounts	18,874
Accrued interest	2,308
Intergovernmental:	
State foundation receivable	7,208
Title VI-B	67,905
Title I	5,849
Miscellaneous reimbursements	<u>27,917</u>
Total	<u>\$ 6,284,960</u>

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITAL ASSETS

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2016</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 303,182	\$ -	\$ -	\$ 303,182
Total capital assets, not being depreciated	<u>303,182</u>	<u>-</u>	<u>-</u>	<u>303,182</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,659,726	-	-	1,659,726
Buildings and improvements	29,270,724	5,775	-	29,276,499
Furniture, fixtures and equipment	2,223,461	37,265	(57,665)	2,203,061
Vehicles	1,689,773	174,076	(116,845)	1,747,004
Total capital assets, being depreciated	<u>34,843,684</u>	<u>217,116</u>	<u>(174,510)</u>	<u>34,886,290</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(708,808)	(68,934)	-	(777,742)
Buildings and improvements	(4,315,900)	(598,451)	-	(4,914,351)
Furniture, fixtures and equipment	(1,567,622)	(132,353)	50,174	(1,649,801)
Vehicles	(1,184,738)	(91,503)	116,845	(1,159,396)
Total accumulated depreciation	<u>(7,777,068)</u>	<u>(891,241)</u>	<u>167,019</u>	<u>(8,501,290)</u>
Governmental activities capital assets, net	<u>\$ 27,369,798</u>	<u>\$ (674,125)</u>	<u>\$ (7,491)</u>	<u>\$ 26,688,182</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 262,856
Special	37,106
Vocational	17,226

Support services:

Pupil	61,573
Instructional staff	35,669
Board of education	228
Administration	49,832
Fiscal	4,626
Business	3,862
Operations and maintenance	97,321
Pupil transportation	93,468
Central	58,635
Food service operations	68,490
Extracurricular	<u>100,349</u>
Total depreciation expense	<u>\$ 891,241</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/16</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
2007 School Improvement Refunding Bonds					
4.00-4.25% - Serial Bonds \$3,450,000	\$ 2,565,000	\$ -	\$ -	\$ 2,565,000	\$ -
4.25-4.50% - Term Bonds \$6,020,000	6,020,000	-	-	6,020,000	-
11.85-11.98% stated rate - Original Issue on Capital Appreciation Bonds \$744,998	527,083	-	(194,584)	332,499	173,848
Accretion on Capital Appreciation Bonds	823,590	133,902	(335,416)	622,076	356,152
Premium on Debt Issue	371,910	-	(24,794)	347,116	-
2009 School Improvement Bonds					
2.50% - Serial Bonds \$1,120,000	345,000	-	(170,000)	175,000	175,000
4.00-5.13% - Term Bonds \$5,355,000	5,355,000	-	(5,355,000)	-	-
14.96-14.98% stated rate - Original Issue on Capital Appreciation Bonds \$99,997	99,997	-	-	99,997	-
Accretion on Capital Appreciation Bonds	138,042	35,633	-	173,675	-
Premium on Debt Issue	66,269	-	(63,844)	2,425	-
2016A School Improvement Refunding Bonds					
2.00-4.00% Serial Bonds \$4,590,000	-	4,590,000	-	4,590,000	-
4.00% Term Bonds \$735,000	-	735,000	-	735,000	-
Premium on Debt Issue	-	620,242	-	620,242	-
Net pension liability	14,069,783	1,650,643	-	15,720,426	-
Compensated absences	<u>1,076,887</u>	<u>85,817</u>	<u>(209,754)</u>	<u>952,950</u>	<u>166,888</u>
Total long-term obligations, governmental activities	<u>\$ 31,458,561</u>	<u>\$ 7,851,237</u>	<u>\$ (6,353,392)</u>	<u>\$ 32,956,406</u>	<u>\$ 871,888</u>

The 2007 School Improvement Refunding Bonds were issued March 29, 2007, for the purpose of advance refunding the \$8,215,000 outstanding School Improvement Bonds. The net proceeds of the 2007 bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. A portion of the proceeds were used to pay off a \$2,000,000 note.

The Current Interest Refunding Bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Sinking Fund Redemption Date</u>	<u>Principal Amount to be Redeemed</u>	<u>Maturity Date</u>	<u>Principal at Maturity</u>
12/1/2020	\$605,000	12/1/2021	\$640,000
12/1/2023	\$700,000	12/1/2024	\$735,000

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Unless otherwise called for redemption, the principal amount on the bonds is to be paid at stated maturity.

The Current Interest Refunding Bonds due December 1, 2029 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2026 and each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemend</u>
2026	\$805,000
2027	\$840,000
2028	\$875,000

Unless otherwise called for redemption, the remaining \$820,000 principal amount of the Bonds due December 1, 2029 is to be paid at stated maturity.

The Current Interest Refunding Bonds maturing on December 1, 2017 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after June 1, 2017 at par, which is 100 percent of the face value of the Current Interest Refunding Bonds.

If fewer than all of the outstanding Current Interest Refunding Bonds of a single maturity are called for redemption, the selection of the Current Interest Refunding Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar (as hereinafter defined) in any manner which the Paying Agent and Registrar may determine. In the case of a partial redemption of Current Interest Refunding Bonds when Bonds of denominations greater than \$5,000 are then outstanding, each \$5,000 unit of face value of principal thereof shall be treated as though it were a separate Current Interest Refunding Bond of the denomination of \$5,000. If one or more, but not all, of such \$5,000 units of face value represented by a Current Interest Refunding Bond are to be called for redemption, then upon notice of redemption of a \$5,000 unit or units, the registered holder of that Bond shall surrender the Current Interest Refunding Bond to the Paying Agent and Registrar (a) for payment of the redemption price for the \$5,000 unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium) and (b) for issuance, without change to the registered holder thereof, of a new Current Interest Refunding Bond or Bonds of the same series, of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Current Interest Refunding Bonds surrendered.

The 2007 capital appreciation bonds issued at \$744,998 are not subject to prior redemption. The capital appreciation bonds mature in fiscal years 2017 thru 2018, with a maturity amount of \$530,000 in fiscal year 2017, and \$540,000 in fiscal year 2018. For fiscal year 2016, the remaining capital appreciation bonds were accreted \$622,076.

The 2009 School Improvement Bonds were issued April 29, 2009, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, and site improvements. During fiscal year 2016, \$5,355,000 of the 2009 School Improvement Bonds were refunded by the Series 2016A School Improvement Refunding Bonds.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The 2009 capital appreciation bonds issued at \$99,997 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2018 and 2019, with a maturity amount of \$180,000 during both fiscal years. For fiscal year 2016, the capital appreciation bonds were accreted \$173,675.

During fiscal year 2016, the District issued \$5,325,000 in Series 2016A School Improvement Refunding Bonds to refund \$5,355,000 of the 2009 School Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2016 was \$5,355,000.

The issue is comprised of current interest bonds, par value \$5,325,000. The interest rates on the current interest bonds range from 2.00%-4.00%.

The reacquisition price exceeded the net carrying amount of the old debt by \$434,083. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2027. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,078,633 and resulted in an economic gain of \$779,846.

The detail on the net pension liability can be found in Note 12.

Compensated absences will be paid from the general fund and food service fund (a nonmajor governmental fund). The bonds will be paid from the bond retirement fund.

The following table provides a summary of the District's future obligation for the general obligation bonds:

Fiscal Year Ending June 30,	<u>2007 School Improvement Refunding Bonds</u>					
	<u>Serial and Term Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 369,711	\$ 369,711	\$ 173,848	\$ 356,152	\$ 530,000
2018	-	369,711	369,711	158,651	381,349	540,000
2019	555,000	358,610	913,610	-	-	-
2020	580,000	335,910	915,910	-	-	-
2021	605,000	311,454	916,454	-	-	-
2022 - 2026	3,505,000	1,136,509	4,641,509	-	-	-
2027 - 2030	3,340,000	302,399	3,642,399	-	-	-
Total	<u>\$ 8,585,000</u>	<u>\$ 3,184,304</u>	<u>\$ 11,769,304</u>	<u>\$ 332,499</u>	<u>\$ 737,501</u>	<u>\$ 1,070,000</u>

Fiscal Year Ending June 30,	<u>2009 School Improvement Bonds</u>					
	<u>Serial and Term Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 175,000	\$ 2,844	\$ 177,844	\$ -	\$ -	\$ -
2018	-	-	-	53,523	126,477	180,000
2019	-	-	-	46,474	133,526	180,000
Total	<u>\$ 175,000</u>	<u>\$ 2,844</u>	<u>\$ 177,844</u>	<u>\$ 99,997</u>	<u>\$ 260,003</u>	<u>\$ 360,000</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	2016A School Improvement Refunding Bonds		
	Serial and Term Bonds		
	Principal	Interest	Total
2017	\$ -	\$ 182,203	\$ 182,203
2018	15,000	193,340	208,340
2019	15,000	193,040	208,040
2020	195,000	189,965	384,965
2021	205,000	183,965	388,965
2022 - 2026	1,130,000	821,950	1,951,950
2027 - 2031	1,350,000	605,150	1,955,150
2032 - 2036	1,660,000	303,750	1,963,750
2037 - 2038	755,000	24,885	779,885
Total	<u>\$ 5,325,000</u>	<u>\$ 2,698,248</u>	<u>\$ 8,023,248</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016 are a voted debt margin of \$6,357,451, including available funds of \$1,900,887, and an unvoted debt margin of \$210,823.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, along with other Districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual District enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the Hylant Administrative Services, LLC (See Note 18). The District contracts for property, fleet, inland marine coverage, crime insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with the OSP.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in insurance coverage from the last fiscal year.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - RISK MANAGEMENT - (Continued)

Workers' Compensation

For fiscal year 2016, the District participated in the Ohio School Comp Workers' Compensation Group Retro Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is designed to reward participants that are able to keep their claim costs below a predetermined amount. Districts continue to pay their individual premium; however, they have the opportunity to receive retrospective premium adjustments. Districts committed to improving workplace safety and accident prevention in order to reduce the frequency and severity of accidents involving their employees, should investigate this program further as an additional savings tool. The firm of Comp Management, a Sedgwick Company, provides administrative, cost control, and actuarial services to the GRP.

Medical Benefits

For fiscal year 2016, the District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 87 Districts (Note 18). The District pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 - 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 District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$196,631 for fiscal year 2016. Of this amount, \$13,720 is reported as pension and postemployment benefits payable.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The District’s contractually required contribution to STRS was \$708,515 for fiscal year 2016. Of this amount, \$125,536 is reported as pension and postemployment benefits payable.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,496,589	\$ 13,223,837	\$ 15,720,426
Proportion of the net pension liability	0.043753%	0.04784818%	
Pension expense	\$ 146,706	\$ 574,863	\$ 721,569

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 40,500	\$ 604,122	\$ 644,622
District contributions subsequent to the measurement date	<u>196,631</u>	<u>708,515</u>	<u>905,146</u>
Total deferred outflows of resources	<u>\$ 237,131</u>	<u>\$ 1,312,637</u>	<u>\$ 1,549,768</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 87,538	\$ 975,681	\$ 1,063,219
Changes in proportionate share	<u>29,994</u>	<u>160,042</u>	<u>190,036</u>
Total deferred inflows of resources	<u>\$ 117,532</u>	<u>\$ 1,135,723</u>	<u>\$ 1,253,255</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$905,146 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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>
2017	\$ (41,191)	\$ (262,413)	\$ (303,604)
2018	(41,191)	(262,413)	(303,604)
2019	(41,191)	(262,416)	(303,607)
2020	<u>46,541</u>	<u>255,641</u>	<u>302,182</u>
Total	<u>\$ (77,032)</u>	<u>\$ (531,601)</u>	<u>\$ (608,633)</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 employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 3,461,871	\$ 2,496,589	\$ 1,683,741

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 changes are a reduction in the discount rate from 7.75 percent to 7.50 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

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

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 18,368,908	\$ 13,223,837	\$ 8,872,913

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$23,381.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$23,381, \$33,793, and \$24,377, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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 years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$51,415, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 14 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation or compensatory time. Personal leave is accrued at three days per fiscal year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Unused personal leave accumulation over five days may be converted to sick leave, cashed out, or donated to a sick leave bank. Accumulated, unused personal time is not paid upon termination of employment. Employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 240 hours and any accumulated, unused balance is paid out upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 324 days for all certified employees and 300 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 314 days for certified employees and 290 days for classified employees.

Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through the Sun Life Assurance Company of Canada. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) (Note 18). The District also provides dental insurance through Delta Dental and vision insurance through Vision Insurance Plan to all eligible employees.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - OTHER EMPLOYEE BENEFITS - (Continued)

Deferred Compensation Plan

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

125 Plan

The District provides its full-time employees, except those employed on an as needed basis, an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that benefit year. Any monies not used by the end of the plan year are forfeited to the District. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each benefit year beginning October 1 and ending September 30. This plan has been included as an Agency Fund and is administered by Horace Mann.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 752,171
Net adjustment for revenue accruals	(69,107)
Net adjustment for expenditure accruals	204,112
Net adjustment for other sources/uses	(23,533)
Funds budgeted elsewhere	(4,623)
Adjustment for encumbrances	743,508
GAAP basis	<u>\$ 1,602,528</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. ODE has finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District and the financial statement impact was not significant.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	216,421
Current year offsets	<u>(248,602)</u>
Total	<u>\$ (32,181)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u><u>\$ -</u></u>

The District had current year offsets that reduced the capital improvements set-aside amount to zero.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND
PUBLIC ENTITY RISK SHARING POOL**

Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2016, the District paid META Solutions \$62,696 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council:

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2016, the District did not make any payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Insurance Purchasing Pools

Ohio School Comp Workers' Compensation Group Retro Rating Program:

The District participates in the Ohio School Comp Workers' Compensation Group Retro Rating Program (GRP), an insurance purchasing pool provided by Ohio School Board Association (OSBA). The GRP's business and affairs are conducted by a Board of Trustees consisting of a President and regional representatives. OSBA's executive director and regional managers serve on the board in an ex officio capacity. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program. CompManagement, a Sedgwick Company, administers the GRP.

Ohio School Plan:

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL - (Continued)

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust:

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical/surgical, dental, vision, life, and accidental death and dismemberment insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 19 - 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:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 701,017
Other governmental	<u>169,767</u>
Total	<u>\$ 870,784</u>

NOTE 20 - PRIOR PERIOD ADJUSTMENT

In prior years, the District's financial statements included activity of scholarship and endowment funds which are administered by the Troy Foundation (the Foundation). The Foundation has complete control over the funds, which are included in the annual report of the Foundation. Accordingly, the funds should not be included in the District's financial statements. The restatement had the following effect on net position and fund balance at June 30, 2015:

	<u>Governmental Activities</u>	<u>Nonmajor Governmental funds</u>
Net position/fund balance, June 30, 2015	\$ 1,886,604	\$ 1,054,384
Troy Foundation scholarship/endowment fund elimination	<u>(85,053)</u>	<u>(85,053)</u>
Net position/fund balance, June 30, 2015, as restated	<u>\$ 1,801,551</u>	<u>\$ 969,331</u>

REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04375300%	0.04453500%	0.04453500%
District's proportionate share of the net pension liability	\$ 2,496,589	\$ 2,253,891	\$ 2,648,354
District's covered-employee payroll	\$ 1,317,193	\$ 1,294,098	\$ 1,304,783
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	202.97%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented as of the District's measurement date.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04784818%	0.04857817%	0.04857817%
District's proportionate share of the net pension liability	\$ 13,223,837	\$ 11,815,892	\$ 14,075,013
District's covered-employee payroll	\$ 5,053,914	\$ 4,963,354	\$ 4,912,854
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.66%	238.06%	286.49%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented as of the District's measurement date.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 196,631	\$ 173,606	\$ 179,362	\$ 180,582
Contributions in relation to the contractually required contribution	<u>(196,631)</u>	<u>(173,606)</u>	<u>(179,362)</u>	<u>(180,582)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,404,507	\$ 1,317,193	\$ 1,294,098	\$ 1,304,783
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 174,885	\$ 167,429	\$ 239,753	\$ 139,207	\$ 123,632	\$ 121,984
<u>(174,885)</u>	<u>(167,429)</u>	<u>(239,753)</u>	<u>(139,207)</u>	<u>(123,632)</u>	<u>(121,984)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,300,260	\$ 1,331,973	\$ 1,770,702	\$ 1,414,705	\$ 1,258,982	\$ 1,142,172
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 708,515	\$ 707,548	\$ 645,236	\$ 638,671
Contributions in relation to the contractually required contribution	<u>(708,515)</u>	<u>(707,548)</u>	<u>(645,236)</u>	<u>(638,671)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,060,821	\$ 5,053,914	\$ 4,963,354	\$ 4,912,854
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 642,141	\$ 685,169	\$ 667,169	\$ 644,726	\$ 620,915	\$ 611,740
<u>(642,141)</u>	<u>(685,169)</u>	<u>(667,169)</u>	<u>(644,726)</u>	<u>(620,915)</u>	<u>(611,740)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,939,546	\$ 5,270,531	\$ 5,132,069	\$ 4,959,431	\$ 4,776,269	\$ 4,705,692
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Miami East Local School District
Miami County
3825 North State Route 589
Casstown, Ohio 45312

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District, Miami County, (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 9, 2018, wherein we noted the District restated governmental activities net position and nonmajor governmental funds balance at June 30, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 9, 2018

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Significant Deficiency – Athletic Revenues

Cash is the asset most susceptible to theft and misappropriation. Management is responsible for the design and implementation of any internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

During fiscal years 2017 and 2016, the Athletic Department collected money for entry to the District's athletic events, including presale tickets to students. While some students were eligible for discounted or free tickets, no documentation was retained to support the free or reduced priced tickets. For football and boys basketball events, a ticket sales sheet was completed which documented the beginning and ending ticket numbers to allow recalculation of the total tickets sold; however, the beginning and ending ticket numbers were only written on the ticket sales sheet as the District did not retain the beginning and ending ticket stubs as evidence. For all other athletic events, gate workers tracked ticket sales using tally sheets and the total number of tickets sold was recorded on the ticket sales sheets. However, the tally sheets were not retained after the event, nor were beginning and ending ticket numbers recorded on the ticket sales sheets for the majority of the District's athletic events. In addition, the ticket sales sheets were not signed by the gate workers, and not all of them were signed by the Athletic Director. While all receipts were traced to validated deposit slips, there was not sufficient evidence to determine that revenue collections totaling \$36,006 and \$43,573 in fiscal years 2017 and 2016, respectively, were complete and accurate.

The District should implement policies and procedures to verify that tickets are utilized at athletic events, that ticket sales sheets are completed for every athletic event and that the ticket takers are performing reconciliations to verify actual tickets sold reconcile to cash collected prior to turning the cash over to the Athletic Director. Additionally, the Athletic Director should perform a reconciliation of the cash and ticket stubs received from the ticket takers. Gate workers and the Athletic Director should verify all ticket sales sheets and reconciliations are signed. Failure to implement suggested policies and procedures increases the risk of theft of money collected during athletic events.

Officials' Response

Miami East Local School District will/has implement(ed) effective internal controls to address the issue, above. Miami East Local School District has always completed ticket reconciliations for major athletic events, but will also complete ticket reconciliations for those events that are less attended. The reconciliations will have first and last ticket stubs attached to them. The Miami East Athletic Department will perform ticket reconciliations and sign the ticket reconciliation forms to evidence performance of the ticket reconciliations.

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Dave Yost • Auditor of State

MIAMI EAST LOCAL SCHOOL DISTRICT

MIAMI 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
AUGUST 21, 2018**