

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
*(AUDITED)***

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016*

**CHRISTINE ANGERER, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Strasburg-Franklin Local School District  
140 N. Bodmer Ave  
Strasburg, OH 44680

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

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

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

Dave Yost  
Auditor of State

March 7, 2017

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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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## Independent Auditor's Report

Strasburg-Franklin Local School District  
Tuscarawas County  
140 North Bodmer Avenue  
Strasburg, Ohio 44680

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 Strasburg-Franklin Local School District, Tuscarawas County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Strasburg-Franklin Local School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Strasburg-Franklin Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Strasburg-Franklin Local School District's internal control. Accordingly, we express no 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 Strasburg-Franklin Local School District, Tuscarawas County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 December 15, 2016, on our consideration of the Strasburg-Franklin Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Strasburg-Franklin Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 15, 2016



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

The discussion and analysis of the Strasburg 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 financial statements and the notes to those respective statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- The District's net position decreased \$486,588 or 6.32 percent from fiscal year 2015.
- Revenues for governmental activities totaled \$7,115,242 in fiscal year 2016. Of this total, \$5,916,177 or 83.15 percent consisted of general revenues while program revenues accounted for the balance of \$1,199,065 or 16.85 percent.
- The District has two levies; a 1.6 mill levy expiring in 2017 and the other levy, which is 6.5 mills, expires 2016. The Board plans on placing both levies on the ballot for either renewal or replacement.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the District as a financial whole, or complete 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 and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain 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, bond retirement fund and permanent improvement fund are by far the most significant funds and only funds to be reported as major funds.

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes 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 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 performance, demographic and socioeconomic factors and willingness of the community to Support the District. On the other hand, financial factors may include the District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

In the statement of net position and the statement of activities, the District is classified into governmental activities. All of the District's non-fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services and extracurricular activities.

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The District's major funds are described on page 10. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund and the permanent improvement 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 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 15-19 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. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

*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 22-53 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 54 through 60 of this report.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position for fiscal years 2016 and 2015.

	<b>Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 7,234,271	\$ 6,959,844
Capital assets, net	<u>15,423,724</u>	<u>16,097,797</u>
Total assets	<u>22,657,995</u>	<u>23,057,641</u>
<b><u>Deferred outflows of resources</u></b>		
Deferred Charge on Refunding	511,084	540,506
Pensions	<u>983,581</u>	<u>466,138</u>
Total deferred outflows of resources	<u>1,494,665</u>	<u>1,006,644</u>
<b><u>Liabilities</u></b>		
Current liabilities	629,470	582,613
Long-term liabilities:		
Due within one year	302,294	303,738
Due in more than one year:		
Net pension liability	<u>7,497,378</u>	<u>6,372,393</u>
Total liabilities	<u>13,976,993</u>	<u>13,022,675</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes	2,450,365	2,190,541
Pensions	<u>515,409</u>	<u>1,154,588</u>
Total deferred inflows of resources	<u>2,965,774</u>	<u>3,345,129</u>
<b><u>Net position</u></b>		
Net investment in capital assets	10,607,431	10,974,344
Restricted	1,722,518	2,081,896
Unrestricted (deficit)	<u>(5,120,056)</u>	<u>(5,359,759)</u>
Total net position	<u>\$ 7,209,893</u>	<u>\$ 7,696,481</u>

The District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," 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.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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.

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.

The District has always spent funds cautiously. Due to the unresolved funding issue of the State and the District continually being required to implement unfunded State and Federal mandates, the District is reliant upon additional property tax dollars to convert operating costs.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$5,916,177 or 83.15 percent of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,199,065 or only 16.85 percent of total revenue.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

The table below shows the change in net position for fiscal years 2016 and 2015.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 476,317	\$ 535,150
Operating grants and contributions	722,457	410,272
Capital grants and contributions	291	-
General revenues:		
Property taxes	2,947,762	2,962,327
Grants and entitlements	2,881,446	2,898,284
Investment earnings	12,457	3,523
Miscellaneous	74,512	54,043
Extraordinary item - other financing uses	<u>-</u>	<u>(965,730)</u>
Total revenues	<u>7,115,242</u>	<u>5,897,869</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	3,777,524	3,579,376
Special	607,202	544,115
Vocational	597	78,356
Other	15,379	72,256
Support services:		
Pupil	175,428	228,917
Instructional staff	210,435	292,909
Board of education	25,234	20,484
Administration	698,448	657,194
Fiscal	223,607	261,014
Operations and maintenance	919,895	645,047
Pupil transportation	216,869	183,431
Central	78,396	51,584
Operation of non-instructional services:	263,353	239,415
Extracurricular activities	205,494	221,737
Interest and fiscal charges	<u>183,969</u>	<u>143,610</u>
Total expenses	<u>7,601,830</u>	<u>7,219,445</u>
Change in net position	(486,588)	(1,321,576)
Net position at beginning of year	<u>7,696,481</u>	<u>9,018,057</u>
Net position at end of year	<u>\$ 7,209,893</u>	<u>\$ 7,696,481</u>

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**Governmental Activities**

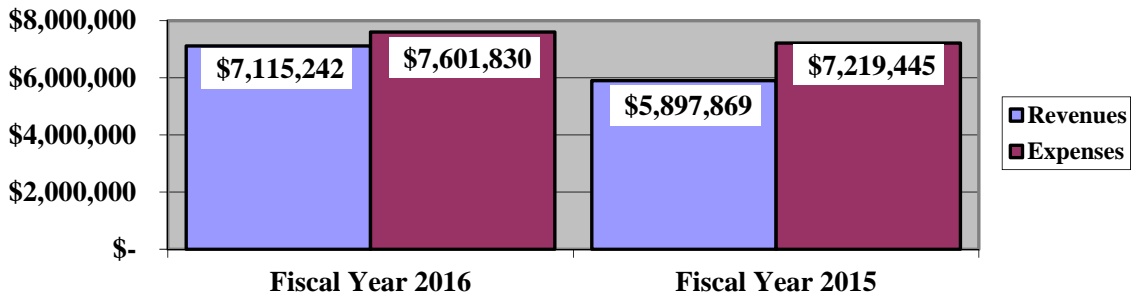
The District carefully plans its financial existence by forecasting its revenues and expenses for the next five years. The District has two limited levies up for renewal in 2016 and 2017. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

During fiscal year 2015, the District reported \$965,730 as an extraordinary item for the amount returned to the State due to the Ohio Facilities Construction Commission project being under budget.

As one can see, approximately 57.89 percent of the District's total expenses are instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 33.52 percent. The remaining amount of program expenses, 8.59 percent, is to facilitate other obligations of the District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the District.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 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. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

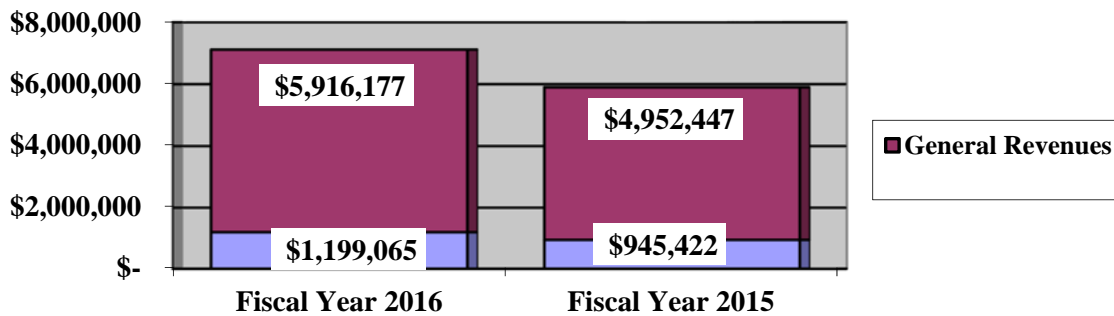
**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,777,524	\$ 3,468,884	\$ 3,579,376	\$ 3,565,252
Special	607,202	193,478	544,115	67,423
Vocational	597	(533)	78,356	78,356
Other	15,379	15,379	72,256	72,256
Support services:				
Pupil	175,428	175,428	228,917	228,917
Instructional staff	210,435	179,243	292,909	198,439
Board of education	25,234	25,234	20,484	20,484
Administration	698,448	689,610	657,194	646,164
Fiscal	223,607	223,607	261,014	261,014
Operations and maintenance	919,895	911,847	645,047	637,197
Pupil transportation	216,869	92,650	183,431	183,431
Central	78,396	78,396	51,584	51,584
Operation of non-instructional services:	263,353	32,400	239,415	11,469
Extracurricular activities	205,494	133,173	221,737	108,427
Interest and fiscal charges	183,969	183,969	143,610	143,610
<b>Total expenses</b>	<u>\$ 7,601,830</u>	<u>\$ 6,402,765</u>	<u>\$ 7,219,445</u>	<u>\$ 6,274,023</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 38.77 percent of total costs are directly supported by local property taxes. Grant and entitlements support about 37.90 percent of total costs. Programs revenues only account for 15.77 percent of all governmental expenses.

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

**Governmental Activities - General and Program Revenues**



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,038,398 which is less than last year's fund balance of \$4,064,228. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Change</u>
General	\$ 2,247,908	\$ 1,980,945	\$ 266,963
Bond retirement	474,321	455,916	18,405
Permanent improvement	878,527	1,165,644	(287,117)
Non-major governmental	<u>437,642</u>	<u>461,723</u>	<u>(24,081)</u>
Total	<u>\$ 4,038,398</u>	<u>\$ 4,064,228</u>	<u>\$ (25,830)</u>

Information regarding the District's major funds can be found beginning on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues totaling \$7,122,418 and expenditures totaling \$7,148,248. The general fund balance increased by \$266,963 as property tax and intergovernmental revenues increased and pupil and instructional support services expenditures decreased. The bond retirement fund balance increased by \$18,405, despite decreased property taxes collections outpacing debt service requirements. The permanent improvement fund balance decreased by \$287,117 due to an increase in maintenance expenditures paid by the permanent improvement fund during fiscal year 2016.

***General Fund Budgeting Highlights***

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

The District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the original budget basis estimated revenues (at the time the full year's appropriation was first passed) and the final budget basis revenue estimate were relatively consistent. There was an increase from the original budget basis expenditures to the final budget basis expenditures to realistically estimate the District's expenditures in line with prior year trends and anticipated expenditures for the fiscal year. The original budget basis expenditures are temporarily appropriated in June and subsequently finalized in September of each year with adjustments made at that time.

The District's general fund unencumbered ending cash balance totaled \$2,290,388 which was more than the final budgeted amount of \$1,846,369 due to conservative budgeting.



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2016, the District had \$15,423,724 invested in land, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. This entire amount is reported in governmental activities. The following table shows fiscal 2016 balances compared to 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 2,661,196	\$ 2,661,196
Building and improvements	17,323,689	17,323,689
Furniture and fixtures	404,129	404,129
Vehicles	471,116	471,116
Accumulated Depreciation	(5,436,406)	(4,762,333)
Total	\$ 15,423,724	\$ 16,097,797

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

*Debt*

**Outstanding Debt, at Year End**

	Activities 2016	Activities 2015
General obligation bonds		
Serial and Term Bonds	\$ 4,845,000	\$ 5,115,000
Capital Appreciation Bonds	84,999	84,999
Accretion on Capital Appreciation Bonds	128,638	61,762
Total	\$ 5,058,637	\$ 5,261,761

The District's overall debt margin is \$4,174,992 and the unvoted debt margin is \$95,896. For more information on debt refer to Note 9 of the basic financial statements.

**Current Financial Related Activities**

The District approaches the future with a very conservative approach. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The economic condition of the State and the Nation are having a negative impact on the financial status of the District.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

The financial future of the District is faced with challenges which are both internal and external in nature. The internal challenges will continue to exist as the District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines what to do with the tremendous State revenue shortfalls and determine how to fund schools adequately.

Fluctuations in real and public utility personal property taxes are attributed to changes in market values due to reappraisal and updates. The District receives real and public utility personal property tax revenues from Tuscarawas County.

Although the District relies heavily on its property taxpayers to support its operations, community support for the schools is quite strong. The District has a five-year 1.6 mill limited levy up for renewal in 2017 and a 6.5 mill limited levy up for renewal in 2016. The continued financial stability of the District is reliant upon the passage of both of these levies.

Additional revenue and/or reductions in expenditures will be necessary to avoid negative general fund balances in future years. The District has communicated to the community that it relies upon their support for the major part of its operations, and will work to work diligently to plan expenditures, staying carefully within the District's 5-year plan. State law limits the growth of income generated by local levies rendering revenue relatively constant.

The District does not anticipate any meaningful growth in State revenue due to the economic condition of the State. The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding has now been established as part of the State's biennial budget for fiscal years 2016 and 2017. The District has established its estimates on the Office of Budget and Management district projects for State education funding. State funding for fiscal years 2016 and beyond is projected at a similar funding level as fiscal year 2015.

The State of Ohio is currently working on a new funding formula that is ADM-driven. Due to the current economic condition of the State, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the District's operations are heavily dependent upon State funding, the State's economic situation is of grave concern to the District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Christine Angerer, Treasurer, at Strasburg Local School District, 140 North Bodmer Avenue, Strasburg, Ohio 44680, or email at [Christine.angerer@strasburgtigers.org](mailto:Christine.angerer@strasburgtigers.org).

**BASIC  
FINANCIAL STATEMENTS**

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 4,251,623
Receivables:	
Property taxes . . . . .	2,944,649
Accounts . . . . .	105
Intergovernmental . . . . .	26,266
Prepayments . . . . .	6,090
Materials and supplies inventory . . . . .	374
Inventory held for resale . . . . .	5,164
Capital assets:	
Nondepreciable capital assets . . . . .	2,661,196
Depreciable capital assets, net . . . . .	12,762,528
Capital assets, net . . . . .	15,423,724
Total assets . . . . .	22,657,995
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	511,084
Pension - STRS . . . . .	895,925
Pension - SERS . . . . .	87,656
Total deferred outflows of resources . . . . .	1,494,665
 <b>Liabilities:</b>	
Accounts payable . . . . .	16,659
Accrued wages and benefits payable . . . . .	466,152
Matured compensated absences payable . . . . .	19,036
Intergovernmental payable . . . . .	34,111
Pension and postemployment benefits payable . . . . .	84,764
Accrued interest payable . . . . .	8,748
Long-term liabilities:	
Due within one year . . . . .	302,294
Due in more than one year:	
Net pension liability (See Note 12) . . . . .	7,497,378
Other amounts due in more than one year . . . . .	5,547,851
Total liabilities . . . . .	13,976,993
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	2,450,365
Pension - STRS . . . . .	415,783
Pension - SERS . . . . .	99,626
Total deferred inflows of resources . . . . .	2,965,774
 <b>Net position:</b>	
Net investment in capital assets . . . . .	10,607,431
Restricted for:	
Debt service . . . . .	349,095
Capital projects . . . . .	881,467
Classroom facilities maintenance . . . . .	360,614
Locally funded programs . . . . .	66,182
Federally funded programs . . . . .	31,849
Student activities . . . . .	33,311
Unrestricted (deficit) . . . . .	(5,120,056)
Total net position . . . . .	\$ 7,209,893

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,777,524	\$ 294,914	\$ 13,435	\$ 291	\$ (3,468,884)
Special . . . . .	607,202	-	413,724	-	(193,478)
Vocational . . . . .	597	-	1,130	-	533
Other . . . . .	15,379	-	-	-	(15,379)
Support services:					
Pupil . . . . .	175,428	-	-	-	(175,428)
Instructional staff . . . . .	210,435	-	31,192	-	(179,243)
Board of education . . . . .	25,234	-	-	-	(25,234)
Administration . . . . .	698,448	8,216	622	-	(689,610)
Fiscal . . . . .	223,607	-	-	-	(223,607)
Operations and maintenance . . . . .	919,895	8,048	-	-	(911,847)
Pupil transportation . . . . .	216,869	-	124,219	-	(92,650)
Central . . . . .	78,396	-	-	-	(78,396)
Operation of non-instructional services:					
Other non-instructional services . . . . .	2,264	-	401	-	(1,863)
Food service operations . . . . .	261,089	97,298	133,254	-	(30,537)
Extracurricular activities . . . . .	205,494	67,841	4,480	-	(133,173)
Interest and fiscal charges . . . . .	183,969	-	-	-	(183,969)
Total governmental activities . . . . .	<u>\$ 7,601,830</u>	<u>\$ 476,317</u>	<u>\$ 722,457</u>	<u>\$ 291</u>	<u>(6,402,765)</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	2,480,993
Debt service . . . . .	353,874
Classroom facilities maintenance . . . . .	35,285
Permanent improvement . . . . .	77,610
Grants and entitlements not restricted	
to specific programs . . . . .	2,881,446
Investment earnings . . . . .	12,457
Miscellaneous . . . . .	<u>74,512</u>
Total general revenues . . . . .	<u>5,916,177</u>
Change in net position . . . . .	(486,588)
<b>Net position at beginning of year . . . . .</b>	<u>7,696,481</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 7,209,893</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 2,483,929	\$ 423,059	\$ 868,067	\$ 476,568	\$ 4,251,623
Receivables:					
Property taxes. . . . .	2,465,398	362,205	81,101	35,945	2,944,649
Accounts . . . . .	105	-	-	-	105
Interfund loans . . . . .	14,701	-	-	-	14,701
Intergovernmental. . . . .	9,684	-	-	16,582	26,266
Prepayments. . . . .	5,914	-	-	176	6,090
Materials and supplies inventory. . . . .	-	-	-	374	374
Inventory held for resale. . . . .	-	-	-	5,164	5,164
Total assets . . . . .	<u>\$ 4,979,731</u>	<u>\$ 785,264</u>	<u>\$ 949,168</u>	<u>\$ 534,809</u>	<u>\$ 7,248,972</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 11,849	\$ -	\$ -	\$ 4,810	\$ 16,659
Accrued wages and benefits payable . . . . .	442,729	-	-	23,423	466,152
Matured compensated absences payable. . . . .	17,880	-	-	1,156	19,036
Intergovernmental payable . . . . .	33,819	-	-	292	34,111
Pension and postemployment benefits payable . . . . .	79,519	-	-	5,245	84,764
Interfund loans payable . . . . .	-	-	-	14,701	14,701
Total liabilities. . . . .	<u>585,796</u>	<u>-</u>	<u>-</u>	<u>49,627</u>	<u>635,423</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year. . . . .	2,054,172	298,783	67,701	29,709	2,450,365
Delinquent property tax revenue not available. . . . .	91,855	12,160	2,940	1,249	108,204
Intergovernmental revenue not available. . . . .	-	-	-	16,582	16,582
Total deferred inflows of resources . . . . .	<u>2,146,027</u>	<u>310,943</u>	<u>70,641</u>	<u>47,540</u>	<u>2,575,151</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	-	-	-	374	374
Prepays . . . . .	5,914	-	-	176	6,090
Restricted:					
Debt service . . . . .	-	474,321	-	-	474,321
Capital improvements . . . . .	-	-	878,527	-	878,527
Classroom facilities maintenance . . . . .	-	-	-	359,365	359,365
Other local grants . . . . .	-	-	-	66,182	66,182
Student activities . . . . .	-	-	-	33,311	33,311
Federal grant programs . . . . .	-	-	-	15,320	15,320
Assigned:					
Student instruction . . . . .	9,130	-	-	-	9,130
Student and staff support. . . . .	183,921	-	-	-	183,921
Unassigned (deficit) . . . . .	2,048,943	-	-	(37,086)	2,011,857
Total fund balances . . . . .	<u>2,247,908</u>	<u>474,321</u>	<u>878,527</u>	<u>437,642</u>	<u>4,038,398</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 4,979,731</u>	<u>\$ 785,264</u>	<u>\$ 949,168</u>	<u>\$ 534,809</u>	<u>\$ 7,248,972</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

<b>Total governmental fund balances</b>		\$ 4,038,398
<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.		15,423,724
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 108,204	
Intergovernmental receivable	16,582	
Total	124,786	124,786
Unamortized premiums on bonds issued are not recognized in the funds.		(397,378)
Unamortized amounts on refundings are not recognized in the funds.		511,084
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(8,748)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:		
Deferred outflows of resources - pension	983,581	
Deferred inflows of resources - pension	(515,409)	
Net pension liability	(7,497,378)	
Total	(7,029,206)	(7,029,206)
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	(5,058,637)	
Compensated absences	(394,130)	
Total	(5,452,767)	(5,452,767)
<b>Net position of governmental activities</b>		<b>\$ 7,209,893</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 2,489,948	\$ 355,688	\$ 77,848	\$ 35,432	\$ 2,958,916
Tuition . . . . .	261,965	-	-	-	261,965
Earnings on investments . . . . .	12,457	-	-	291	12,748
Charges for services . . . . .	-	-	-	97,298	97,298
Extracurricular . . . . .	26,484	-	-	67,841	94,325
Classroom materials and fees . . . . .	14,681	-	-	-	14,681
Rental income . . . . .	8,048	-	-	-	8,048
Contributions and donations . . . . .	250	-	-	7,480	7,730
Other local revenues . . . . .	74,262	-	-	4,725	78,987
Intergovernmental - state . . . . .	3,153,039	52,003	10,206	6,979	3,222,227
Intergovernmental - federal . . . . .	-	-	-	365,493	365,493
<b>Total revenues . . . . .</b>	<u>6,041,134</u>	<u>407,691</u>	<u>88,054</u>	<u>585,539</u>	<u>7,122,418</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	3,223,589	-	41,092	11,505	3,276,186
Special . . . . .	379,159	-	-	211,780	590,939
Vocational . . . . .	698	-	-	-	698
Other . . . . .	14,645	-	-	734	15,379
Support services:					
Pupil . . . . .	175,333	-	-	-	175,333
Instructional staff . . . . .	175,090	-	-	31,720	206,810
Board of education . . . . .	25,234	-	-	-	25,234
Administration . . . . .	602,415	-	-	700	603,115
Fiscal . . . . .	213,544	7,988	1,715	790	224,037
Operations and maintenance . . . . .	558,338	-	283,581	28,630	870,549
Pupil transportation . . . . .	208,441	-	-	-	208,441
Central . . . . .	78,396	-	-	-	78,396
Operation of non-instructional services:					
Other operation of non-instructional . . . . .	1,812	-	-	452	2,264
Food service operations . . . . .	-	-	-	252,848	252,848
Extracurricular activities . . . . .	117,477	-	-	68,244	185,721
Facilities acquisition and construction . . . . .	-	-	48,783	2,217	51,000
Debt service:					
Principal retirement . . . . .	-	270,000	-	-	270,000
Interest and fiscal charges . . . . .	-	111,298	-	-	111,298
<b>Total expenditures . . . . .</b>	<u>5,774,171</u>	<u>389,286</u>	<u>375,171</u>	<u>609,620</u>	<u>7,148,248</u>
<b>Net change in fund balances . . . . .</b>	266,963	18,405	(287,117)	(24,081)	(25,830)
<b>Fund balances at beginning of year . . . . .</b>	1,980,945	455,916	1,165,644	461,723	4,064,228
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,247,908</u>	<u>\$ 474,321</u>	<u>\$ 878,527</u>	<u>\$ 437,642</u>	<u>\$ 4,038,398</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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

<b>Net change in fund balances - total governmental funds</b>		\$	(25,830)
<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.			
Current year depreciation			(674,073)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes	(11,153)		
Intergovernmental	3,978		
Total			(7,175)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.			270,000
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:			
Decrease in accrued interest payable	751		
Accreted interest on capital appreciation bonds	(66,876)		
Amortization of bond premiums	22,876		
Amortization of deferred charges	(29,422)		
Total			(72,671)
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.			(8,476)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.			397,719
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			(366,082)
<b>Change in net position of governmental activities</b>		<b>\$</b>	<b>(486,588)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,141,081	\$ 2,465,022	\$ 2,465,022	\$ -
Tuition . . . . .	227,539	261,965	261,965	-
Earnings on investments . . . . .	9,294	10,697	12,457	1,760
Classroom materials and fees . . . . .	12,752	14,681	14,681	-
Rental income . . . . .	6,899	7,943	7,943	-
Contributions and donations . . . . .	217	250	250	-
Other local revenues . . . . .	57,608	66,324	66,324	-
Intergovernmental - state . . . . .	2,755,379	3,172,258	3,172,258	-
Total revenues . . . . .	<u>5,210,769</u>	<u>5,999,140</u>	<u>6,000,900</u>	<u>1,760</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,699,659	3,604,514	3,188,393	416,121
Special . . . . .	326,581	436,043	383,993	52,050
Vocational . . . . .	9,886	13,199	13,087	112
Other . . . . .	17,054	22,770	17,293	5,477
Support services:				
Pupil . . . . .	136,643	182,442	175,104	7,338
Instructional staff . . . . .	136,069	181,676	185,885	(4,209)
Board of education . . . . .	21,191	28,293	30,109	(1,816)
Administration . . . . .	433,435	578,711	595,356	(16,645)
Fiscal . . . . .	161,858	216,108	221,044	(4,936)
Operations and maintenance . . . . .	500,620	668,415	673,233	(4,818)
Pupil transportation . . . . .	168,664	225,196	217,745	7,451
Central . . . . .	75,853	101,277	96,062	5,215
Other operation of non-instructional services . . . . .	1,357	1,812	1,812	-
Extracurricular activities . . . . .	86,496	115,487	119,867	(4,380)
Total expenditures . . . . .	<u>4,775,366</u>	<u>6,375,943</u>	<u>5,918,983</u>	<u>456,960</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	435,403	(376,803)	81,917	458,720
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	63,422	73,017	73,017	-
Transfers (out) . . . . .	(54,687)	(73,017)	(73,017)	-
Advances in . . . . .	3,308	3,809	3,809	-
Advances (out) . . . . .	-	-	(14,701)	(14,701)
Total other financing sources (uses) . . . . .	<u>12,043</u>	<u>3,809</u>	<u>(10,892)</u>	<u>(14,701)</u>
Net change in fund balance . . . . .	447,446	(372,994)	71,025	444,019
<b>Fund balance at beginning of year . . . . .</b>	2,208,749	2,208,749	2,208,749	-
<b>Prior year encumbrances appropriated . . . . .</b>	10,614	10,614	10,614	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,666,809</u>	<u>\$ 1,846,369</u>	<u>\$ 2,290,388</u>	<u>\$ 444,019</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2016

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 18,759	\$ 40,341
Total assets. . . . .	18,759	40,341
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 40,341
Total liabilities . . . . .	-	40,341
<b>Net position:</b>		
Held in trust for scholarships . . . . .	18,759	
Total net position. . . . .	\$ 18,759	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 237
Gifts and contributions . . . . .	289
Total additions . . . . .	526
<b>Deductions:</b>	
Payments in accordance with trust agreements . . . . .	2,242
Change in net position . . . . .	(1,716)
<b>Net position at beginning of year. . . . .</b>	<b>20,475</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 18,759</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Strasburg-Franklin 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/or Federal guidelines.

There have been schools in Franklin Township, Tuscarawas County, Ohio, dating back to 1816. However, the Strasburg-Franklin Local School District (the “District”) was officially formed in 1946, with the closing of the last of six township schools, and the transfer of those students to the school buildings in town for their education.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the District’s one facility, staffed by 19 classified personnel, 40 certificated teaching personnel and 3 administrators who provide service to 603 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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 following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Joint Vocational School District

The Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Joint Vocational School District. Each participating District's control is limited to its representation on the Joint Vocational School District's Board of Education.

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 45 member districts in 11 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

Strasburg Enterprise Zone Committee

The Strasburg Enterprise Zone Committee (Enterprise Zone) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. The Enterprise Zone Committee has seven members, consisting of three members appointed by Strasburg Village Council, the Mayor of the Village, two business people, and one member appointed by the Strasburg-Franklin Local Board of Education. The committee has the authority to negotiate tax abatement agreements with current and prospective businesses located in the Enterprise Zone. There is no cost associated with being a member of this committee. The continued existence of this committee is not dependent upon the District's continued participation and no equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

Stark County Schools Council of Governments

The Stark County Schools Council of Governments Health Benefit Plan (the "Council") is a shared risk pool, with participants from Stark, Summit and Portage Counties. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for two-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council receipts are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 2100 38<sup>th</sup> Street, Canton, Ohio, 44709.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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 following are the District's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of property tax revenues restricted for the payment of general obligation bonds issued for the construction of a new K-12 building.

*Permanent improvement fund* - The permanent improvement fund is used to account for the accumulation of property tax revenues restricted for major capital projects, purchases of furniture and fixtures, bus purchases or major capital repairs.

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

***PROPRIETARY FUNDS***

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

***FIDUCIARY FUNDS***

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.



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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows 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 fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 nonexchange transactions must also be available before it can be recognized.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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, interest, tuition, grants, student fees and rentals.

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 and unavailable revenue. Property 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.

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**E. Budgets**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the 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 control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Although the legal level of control was established at the fund level of expenditures, the School District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**F. Cash and Cash Equivalents**

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

During fiscal year 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR 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 does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2016.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings are credited to funds based on Board Policy and State statute. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$12,457, which includes \$5,493 assigned from other District funds.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

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

On the fund 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.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land 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>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 - 50 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	8 - 10 Years

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused sick leave and vacation leave benefits when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements.

These amounts are recorded in the account “matured compensated absences payable” in the funds from which the employee will be paid.

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, net pension liability, and 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 year. Bonds are recognized as a liability on the fund financial statements when due.

**L. 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. It also includes the long-term amount of loans receivable.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

*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.

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. 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.

**R. 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. Neither type of transaction occurred during fiscal year 2016.

**S. Issuance Costs, Bond Premium and Accounting Gain or Loss on Debt Refunding**

On the governmental fund financial statements, issuance costs, bond premiums, and deferred charges from debt refunding are recognized in the current period.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized 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.

**T. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**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.



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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 implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 8,476
Title I	28,060

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances 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;
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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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. Cash on Hand**

At fiscal year end, the District had \$1,000 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$458,247. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$218,366 of the District's bank balance of \$483,419 was exposed to custodial risk as discussed below, while \$265,053 was covered by the FDIC.

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**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.

**C. Investments**

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 3,851,476</u>	<u>\$ 3,851,476</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. 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.

*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 investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no 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	<u>\$ 3,851,476</u>	<u>100.00</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. 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	\$ 458,247
Investments	3,851,476
Cash on hand	1,000
Total	\$ 4,310,723
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,251,623
Private-purpose trust fund	18,759
Agency fund	40,341
Total	\$ 4,310,723

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2016, as reported on the fund statements consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor special revenue funds	\$ 14,701

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. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**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.

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**NOTE 6 - PROPERTY TAXES (Continued)**

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 Tuscarawas County. The County Auditors periodically advance 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 \$319,371 in the general fund, \$51,262 in the bond retirement fund, \$4,987 in the classroom facilities fund and \$10,460 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$294,445 in the general fund, \$6,007 in the classroom facility fund, \$12,629 in the permanent improvement fund and \$61,499 in the bond retirement 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.

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	\$ 89,148,250	95.56	\$ 90,810,520	94.70
Public utility personal	<u>4,141,750</u>	<u>4.44</u>	<u>5,085,810</u>	<u>5.30</u>
Total	<u>\$ 93,290,000</u>	<u>100.00</u>	<u>\$ 95,896,330</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$ 62.10		\$ 61.90	

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - RECEIVABLES**

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

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

**Governmental activities:**

Taxes	\$ 2,944,649
Accounts	105
Intergovernmental	<u>26,266</u>
<b>Total</b>	<b><u>\$ 2,971,020</u></b>

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

**NOTE 8 - CAPITAL ASSETS**

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

	Balance <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/16</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,661,196	\$ -	\$ -	\$ 2,661,196
<b>Total capital assets, not being depreciated</b>	<u>2,661,196</u>	<u>-</u>	<u>-</u>	<u>2,661,196</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	17,323,689	-	-	17,323,689
Furniture and equipment	404,129	-	-	404,129
Vehicles	<u>471,116</u>	<u>-</u>	<u>-</u>	<u>471,116</u>
<b>Total capital assets, being depreciated</b>	<u>18,198,934</u>	<u>-</u>	<u>-</u>	<u>18,198,934</u>
<i>Less: accumulated depreciation:</i>				
Land improvements				
Buildings and improvements	(4,125,988)	(634,884)	-	(4,760,872)
Furniture and equipment	(178,831)	(30,121)	-	(208,952)
Vehicles	<u>(457,514)</u>	<u>(9,068)</u>	<u>-</u>	<u>(466,582)</u>
<b>Total accumulated depreciation</b>	<u>(4,762,333)</u>	<u>(674,073)</u>	<u>-</u>	<u>(5,436,406)</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 16,097,797</u></b>	<b><u>\$ (674,073)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,423,724</u></b>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 547,673
<u>Support services:</u>	
Instructional staff	3,478
Administration	83,980
Operations and maintenance	1,325
Pupil transportation	9,068
Extracurricular activities	21,153
Food service operations	<u>7,396</u>
Total depreciation expense	<u>\$ 674,073</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds (refunding), series 2012:					
Current interest serial bonds	\$ 5,115,000	\$ -	\$ (270,000)	\$ 4,845,000	\$ 280,000
Capital appreciation bonds	84,999	-	-	84,999	-
Accreted interest	<u>61,762</u>	<u>66,876</u>	<u>-</u>	<u>128,638</u>	<u>-</u>
Total refunding bonds	<u>5,261,761</u>	<u>66,876</u>	<u>(270,000)</u>	<u>5,058,637</u>	<u>280,000</u>
Compensated absences	385,655	66,566	(58,091)	394,130	22,294
Net pension liability:					
STRS	5,300,688	1,068,138	-	6,368,826	-
SERS	<u>1,071,705</u>	<u>56,847</u>	<u>-</u>	<u>1,128,552</u>	<u>-</u>
Total net pension liability	<u>6,372,393</u>	<u>1,124,985</u>	<u>-</u>	<u>7,497,378</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>\$ 12,019,809</u>	<u>\$ 1,258,427</u>	<u>\$ (328,091)</u>	<u>12,950,145</u>	<u>\$ 302,294</u>
Add: Unamortized premium on refunding				<u>397,378</u>	
Total on the statement of net position				<u>\$ 13,347,523</u>	

Compensated absences will be paid from the general fund.

Net pension liability - see note 12 for detail.

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**B. *Refunding Bonds - Series 2012:*** On October 30, 2012, the District issued \$5,329,999 in general obligation bonds to refund a portion of the Ohio Facilities Construction Commission (OFCC) general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$5,245,000 and \$84,999, respectively. The interest rates on the current interest bonds range from 1.50% to 3.00%. The capital appreciation bonds mature on December 1, 2019 (effective interest 27.40%), December 1, 2020 (effective interest 27.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The bonds were issued for a twenty year period with a final maturity at December 1, 2032. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity amount of outstanding capital appreciation bonds at December 1, 2020 is \$590,000. The accretion recorded for 2016 was \$66,876, for a total outstanding capital appreciation bond liability of \$128,638. These bonds are general obligations of the District for which full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond issue are recorded as a disbursement in the debt service fund.

The bonds were sold at a premium of \$484,116. Net proceeds of \$5,922,640 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2016, \$5,130,000 of the defeased bonds are still outstanding.

The District's overall debt margin is \$4,174,992 and the unvoted debt margin is \$95,896.

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

Fiscal Year Year Ended	Series 2012 Refunding Current Interest Bonds			Series 2012 Refunding Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 280,000	\$ 105,797	\$ 385,797	\$ -	\$ -	\$ -
2018	285,000	100,148	385,148	-	-	-
2019	295,000	95,085	390,085	-	-	-
2020	-	92,872	92,872	48,633	251,367	300,000
2021	-	92,872	92,872	36,366	253,634	290,000
2022 - 2026	1,535,000	388,810	1,923,810	-	-	-
2027 - 2031	1,710,000	214,770	1,924,770	-	-	-
2032 - 2033	740,000	21,894	761,894	-	-	-
Total	<u>\$ 4,845,000</u>	<u>\$ 1,112,248</u>	<u>\$ 5,957,248</u>	<u>\$ 84,999</u>	<u>\$ 505,001</u>	<u>\$ 590,000</u>



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District contracted with Liberty Mutual for property insurance. Liberty Mutual also covers boiler and machinery with a \$1,000 deductible and inland marine coverage with a \$250 deductible.

Professional and general liability is protected by Liberty Mutual with a \$3,000,000 aggregate/\$1,000,000 single occurrence limit and a \$2,500 deductible. Vehicles are covered by Liberty Mutual and hold a \$100 deductible for comprehensive and \$500 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

The District participates in a Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Health Insurance**

The District participates in the Stark County Schools Council of Governments Health Benefit Plan (the "Council"), a risk sharing pool to provide medical/surgical benefits for employees (Note 2.A.). The District's insurance program for health care, through the Council, is administered by Mutual Health Services Company and Aultcare Corporation. Payments are made to the Council for monthly premiums, monthly stop-loss premiums and administrative charges. The District submits monthly payments for family plans and individual coverage to the Stark County Educational Service Center who serves as the fiscal agent for the Council. The premium is paid by the fund that pays the salary for the employee and is based on a rate determined by an actuary for the Council.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation each year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave that may be accumulated for certified employees and classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government's Health Benefits Program.

**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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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](http://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 \$69,011 for fiscal year 2016. Of this amount, \$10,040 is reported as pension and postemployment benefits payable.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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](http://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.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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 \$328,708 for fiscal year 2016. Of this amount, \$57,304 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	\$ 1,128,552	\$ 6,368,826	\$ 7,497,378
Proportion of the net pension liability	0.01977800%	0.02304450%	
Pension expense	\$ 51,485	\$ 314,597	\$ 366,082

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>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 18,645	\$ 288,139	\$ 306,784
Changes in proportionate share	-	279,078	279,078
District contributions subsequent to the measurement date	<u>69,011</u>	<u>328,708</u>	<u>397,719</u>
Total deferred outflows of resources	<u>\$ 87,656</u>	<u>\$ 895,925</u>	<u>\$ 983,581</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 46,005	\$ 415,783	\$ 461,788
Changes in proportionate share	<u>53,621</u>	<u>-</u>	<u>53,621</u>
Total deferred inflows of resources	<u>\$ 99,626</u>	<u>\$ 415,783</u>	<u>\$ 515,409</u>

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$397,719 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	\$ (33,452)	\$ (20,243)	\$ (53,695)
2018	(33,452)	(20,243)	(53,695)
2019	(33,452)	(20,243)	(53,695)
2020	<u>19,375</u>	<u>212,163</u>	<u>231,538</u>
Total	<u>\$ (80,981)</u>	<u>\$ 151,434</u>	<u>\$ 70,453</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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

<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	15.00	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>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 1,564,896	\$ 1,128,552	\$ 761,114

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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.



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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	\$ 8,846,779	\$ 6,368,826	\$ 4,273,346

**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](http://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 \$9,858.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$9,858, \$4,446, and \$4,629, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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](http://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 \$23,378, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 14 - 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).

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 14 - 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	\$ 71,025
Net adjustment for revenue accruals	5,812
Net adjustment for expenditure accruals	(3,195)
Net adjustment for other sources/uses	10,892
Funds budgeted elsewhere	(3,384)
Adjustment for encumbrances	185,813
GAAP basis	\$ 266,963

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 public school support fund and certain special cost centers of the special trust fund.

**NOTE 15 - 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 involved in no material litigation as either plaintiff or defendant.

**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. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 16 - 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	109,660
Current year qualifying expenditures	(38,464)
Current year offsets	<u>(131,853)</u>
Total	<u>\$ (60,657)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u><u>\$ -</u></u>

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 186,703
Permanent improvement	18,995
Other governmental	<u>17,993</u>
Total	<u><u>\$ 223,691</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.01977800%	0.02117600%	0.02117600%
District's proportionate share of the net pension liability	\$ 1,128,552	\$ 1,071,705	\$ 1,259,269
District's covered-employee payroll	\$ 595,425	\$ 615,346	\$ 581,199
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.16%	216.67%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.02304450%	0.02179425%	0.02179425%
District's proportionate share of the net pension liability	\$ 6,368,826	\$ 5,300,688	\$ 6,314,145
District's covered-employee payroll	\$ 2,339,350	\$ 2,226,592	\$ 2,311,838
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	272.25%	238.06%	273.12%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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	\$ 69,011	\$ 78,477	\$ 85,287	\$ 80,438
Contributions in relation to the contractually required contribution	<u>(69,011)</u>	<u>(78,477)</u>	<u>(85,287)</u>	<u>(80,438)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 492,936	\$ 595,425	\$ 615,346	\$ 581,199
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 83,988	\$ 46,907	\$ 53,660	\$ 48,836	\$ 59,058	\$ 61,766
<u>(83,988)</u>	<u>(46,907)</u>	<u>(53,660)</u>	<u>(48,836)</u>	<u>(59,058)</u>	<u>(61,766)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 624,446	\$ 373,166	\$ 396,307	\$ 496,301	\$ 601,405	\$ 578,333
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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	\$ 328,708	\$ 327,509	\$ 289,457	\$ 300,539
Contributions in relation to the contractually required contribution	<u>(328,708)</u>	<u>(327,509)</u>	<u>(289,457)</u>	<u>(300,539)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,347,914	\$ 2,339,350	\$ 2,226,592	\$ 2,311,838
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 307,550	\$ 303,211	\$ 303,465	\$ 293,977	\$ 225,788	\$ 294,495
<u>(307,550)</u>	<u>(303,211)</u>	<u>(303,465)</u>	<u>(293,977)</u>	<u>(225,788)</u>	<u>(294,495)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,365,769	\$ 2,332,392	\$ 2,334,346	\$ 2,261,362	\$ 1,736,831	\$ 2,265,346
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

Strasburg-Franklin Local School District  
Tuscarawas County  
140 North Bodmer Avenue  
Strasburg, Ohio 44680

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 Strasburg-Franklin Local School District, Tuscarawas County, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Strasburg-Franklin Local School District's basic financial statements and have issued our report thereon dated December 15, 2016.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Strasburg-Franklin Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Strasburg-Franklin Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Strasburg-Franklin Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Education  
Strasburg-Franklin Local School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Strasburg-Franklin Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Strasburg-Franklin Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Strasburg-Franklin Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 15, 2016



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDING  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</b>
2015-001	<u>Material Weakness - Financial Reporting</u> - The School had identified misstatements in the 2015 basic financial statements, relating to the special item and footnotes, that were not initially identified by the District's internal control.	Yes	N/A

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# Dave Yost • Auditor of State

**STRASBURG- FRANKLIN LOCAL SCHOOL DISTRICT**

**TUSCARAWAS COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 21, 2017**