COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

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INDEPENDENT AUDITOR'S REPORT

Covington Exempted Village School District
Miami County
25 Grant Street
Covington, Ohio 45318

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 Covington Exempted Village School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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.

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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 Covington Exempted Village School District, Miami County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2016

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The management's discussion and analysis of the Covington Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position of governmental activities increased $867,233 which represents a 28.83% increase from 2014's restated net position.

- General revenues accounted for $8,228,894 in revenue or 80.73% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for $1,963,742 or 19.27% of total revenues of $10,192,636.

- The District had $9,325,403 in expenses related to governmental activities; $1,963,742 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $8,228,894 were adequate to provide for these programs.

- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had $8,589,447 in revenues and other financing sources and $8,837,846 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance decreased $248,399 from a fund balance of $2,304,813 to $2,056,414.

- The classroom facilities fund had $4,447,748 in revenues and $4,764,275 in expenditures. During fiscal year 2015, the classroom facilities fund's fund balance decreased $316,527 from a fund balance of $8,357,091 to $8,040,564.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 19-20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these funds financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the classroom facilities 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* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-24 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of assets and liabilities on page 26. 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 27-62 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 63 through 70 of this report.

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

Net Position

	Governmental Activities 2015	Restated Governmental Activities 2014
Assets:		
Current and other assets	$21,631,692	$24,658,545
Capital assets, net	7,206,246	2,042,506
Total assets	28,837,938	26,701,051
Deferred Outflows of Resources:		
Pension	726,241	585,679
Total deferred outflows of resources	726,241	585,679
Liabilities:		
Current liabilities:	2,416,148	869,955
Long-term liabilities:		
Due within one year	101,872	138,705
Due in more than one year:		
Net pension liability	9,876,586	11,734,896
Other amounts	9,720,420	9,794,743
Total liabilities	22,115,026	22,538,299
Deferred Inflows of Resources:		
Property taxes levied for next year	1,788,343	1,739,928
Pensions	1,785,074	
Total deferred inflows of resources	3,573,417	1,739,928

Net Position
(Continued)

	Governmental Activities 2015	Restated Governmental Activities 2014
Net Position:		
Net investment in capital assets	3,844,936	1,612,324
Restricted	7,475,223	9,357,549
Unrestricted (deficit)	(7,444,423)	(7,961,370)
Total net position	$3,875,736	$3,008,503

During 2015, 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.

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.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $14,157,720 to $3,008,503.

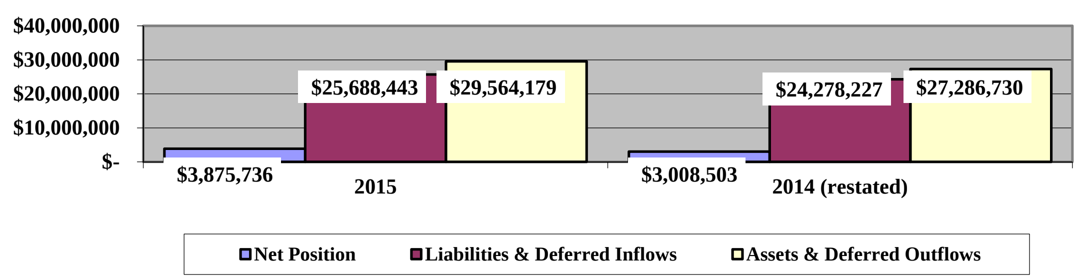
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $3,875,736.

At year-end, capital assets represented 24.99% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2015, was $3,844,936. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, $7,475,223, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is ($7,444,423).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.

Governmental Activities



The table below shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)

Change in Net Position

	Governmental Activities 2015	Restated Governmental Activities 2014
Revenues:		
Program revenues:		
Charges for services and sales	$966,119	$902,895
Operating grants and contributions	992,623	939,290
Capital grants and contributions	5,000	
General revenues:		
Property taxes	2,079,304	2,002,126
School district income tax	2,278,314	1,934,188
Grants and entitlements	3,798,790	14,217,051
Investment earnings	27,762	20,866
Miscellaneous	44,724	17,184
Total revenues	10,192,636	20,033,600
Expenses:		
Program expenses:		
Instruction:		
Regular	3,817,903	3,669,320
Special	1,151,932	1,233,532
Other	2,682	5,034
Support services:		
Pupil	370,610	333,222
Instructional staff	221,975	165,197
Board of education	10,397	13,606
Administration	880,521	865,009
Fiscal	276,583	262,687
Business	6,077	5,436
Operations and maintenance	592,176	543,512
Pupil transportation	386,423	420,146
Central	54,899	80,991
Operations of non-instructional services		
Other non-instructional services	174,583	169,780
Food service operations	348,477	356,176
Extracurricular activities	560,682	529,691
Interest and fiscal charges	469,483	368,896
Bond issuance costs		178,153
Total expenses	9,325,403	9,200,388
Change in net position	867,233	10,833,212
Net position at beginning of year (restated)	3,008,503	N/A
Net position at end of year	$3,875,736	$3,008,503

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $585,679 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $419,431.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$9,325,403
Pension expense under GASB 68	(419,431)
2015 contractually required contributions	633,229
Adjusted 2015 program expenses	9,539,201
Total 2014 program expenses under GASB 27	9,200,388
Increase in program expenses not related to pension	$338,813

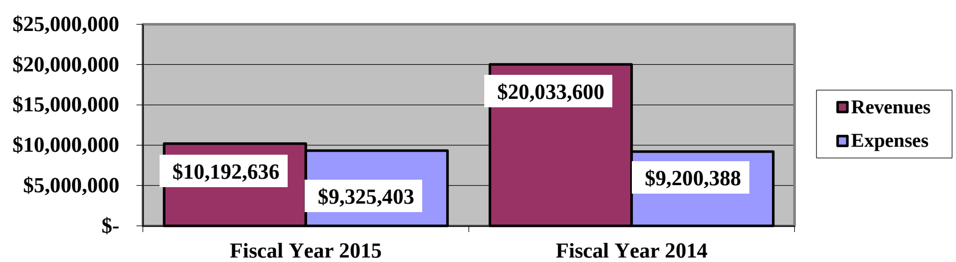
Net position of the District's governmental activities increased $867,233. Total governmental expenses of $9,325,403 were offset by program revenues of $1,963,742 and general revenues of $8,228,894. Program revenues supported 21.06% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 80.02% of total governmental revenue. The decrease in grants and entitlements is due to the decrease in intergovernmental State revenue booked in fiscal year 2015 compared to 2014. During fiscal year 2014, the District recorded the revenue received and the grants receivable related to the State's share of the District's OFCC project. The State's total share was booked as revenue in the prior fiscal, because fiscal year 2014 was the year in which it was due. The State's share of the project is $10,755,449.

The largest expense of the District is for instructional programs. Instruction expenses totaled $4,972,517 or 53.32% of total governmental expenses for fiscal year 2015. Instruction expenses and support services increased slightly due to an increase in wages and benefits. The increase in interest and fiscal charges is due to the increased interest payments made on the bonds issued by the District during the prior fiscal year.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2015 and 2014.

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 for 2015 compared to 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

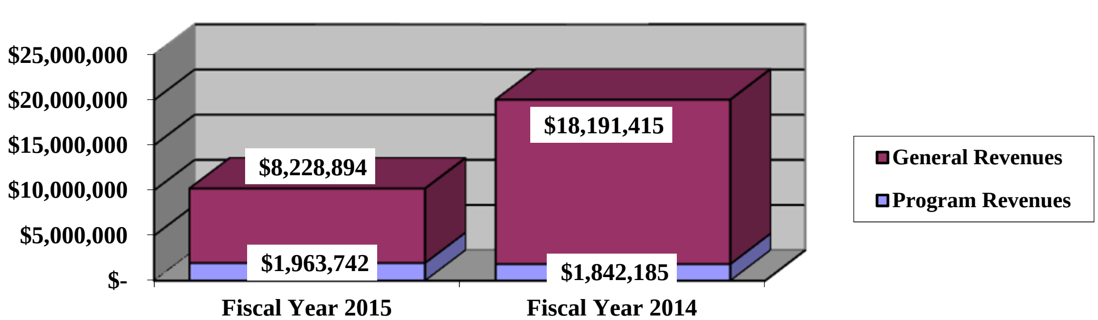
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program expenses				
Instruction:				
Regular	$3,817,903	$3,262,290	$3,669,320	$3,210,419
Special	1,151,932	478,391	1,233,532	590,107
Other	2,682	2,682	5,034	5,034
Support services:				
Pupil	370,610	312,762	333,222	281,592
Instructional staff	221,975	216,991	165,197	164,527
Board of education	10,397	10,397	13,606	13,606
Administration	880,521	871,408	865,009	849,451
Fiscal	276,583	276,460	262,687	262,476
Business	6,077	6,077	5,436	5,436
Operations and maintenance	592,176	580,316	543,512	532,714
Pupil transportation	386,423	349,999	420,146	378,755
Central	54,899	49,499	80,991	75,591
Operations of non-instructional services:				
Other non-instructional services	174,583	95,601	169,780	103,121
Food service operations	348,477	40,389	356,176	17,557
Extracurricular activities	560,682	338,916	529,691	320,768
Interest and fiscal charges	469,483	469,483	368,896	368,896
Bond issuance costs			178,153	178,153
Total expenses	$9,325,403	$7,361,661	$9,200,388	$7,358,203

The dependence upon tax and other general revenues for governmental activities is apparent; 75.28% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.94%.

The graph below presents the District's governmental activities revenue for fiscal year 2015 and 2014.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of $12,116,464 which is more than last year's total balance of $12,291,526. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)	Percentage Change
General	$2,056,414	$2,304,813	($248,399)	(10.78) %
Classroom Facilities	8,040,564	8,357,091	(316,527)	(3.79) %
Other Governmental	2,019,486	1,629,622	389,864	23.92 %
Total	$12,116,464	$12,291,526	($175,062)	(1.42) %

General Fund

The District's general fund balance decreased $248,399. The increase in tax revenue is due to a slight increase in property tax and income tax revenues. The increase in tuition revenue is due to an increase in open enrollment revenues received during the current fiscal year. The increase in intergovernmental revenue is due to the increase in State foundation revenue. The increase in instruction and support services is due to an increase in personnel costs. Facilities acquisition and construction expenses increased as the District purchased more assets from the general fund during the current fiscal year compared to the prior fiscal year.

The table below assists in illustrating the financial activities and fund balance of the general fund.

	2015 Amount	2014 Amount	Increase (Decrease)	Percentage Change
Revenues:				
Taxes	$3,841,461	$3,660,388	$181,073	4.95 %
Tuition	578,387	494,812	83,575	16.89 %
Earnings on investments	5,206	4,549	657	14.44 %
Intergovernmental	4,036,372	3,712,995	323,377	8.71 %
Other revenues	125,156	122,023	3,133	2.57 %
Total	8,586,582	7,994,767	591,815	7.40 %
Expenditures:				
Instruction	4,735,952	4,649,799	86,153	1.85 %
Support services	2,798,046	2,606,251	191,795	7.36 %
Non-instructional services	71,210	83,840	(12,630)	(15.06) %
Extracurricular activities	308,988	275,195	33,793	12.28 %
Debt service	49,444	47,253	2,191	4.64 %
Facilities acquisition and construction	126,976	47,731	79,245	166.02 %
Total	$8,090,616	$7,710,069	$380,547	4.94 %

Classroom Facilities Fund

The classroom facilities fund had $4,447,748 in revenues and other financing sources and $4,764,275 in expenditures. During fiscal year 2015, the classroom facilities fund's fund balance decreased $316,527 from $8,357,091 to $8,040,564.

General Fund Budgeting Highlights

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

General fund original and final revenues and other financing sources were $8,203,002. The actual budget basis revenues and other financing sources for fiscal year 2015 totaled $8,525,678, which was $322,676 higher than the budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) of $8,344,123 were increased to $9,058,512 in the final appropriations. The actual budget basis expenditures for fiscal year 2015 totaled $8,795,997, which was $262,515 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had $7,206,246 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2015 balances compared to 2014:

Capital Assets at June 30,
(Net of Depreciation)

	Governmental Activities	
	2015	**2014**
Land	$529,545	$399,339
Construction in progress	5,710,730	619,686
Land improvements	136,986	165,321
Building and improvements	469,520	508,518
Furniture and equipment	195,281	236,379
Vehicles	164,184	113,263
Total	$7,206,246	$2,042,506

The overall increase in capital assets of $5,163,740 is primarily due to capital outlays of $5,329,080 exceeding depreciation expense of $165,340 for fiscal year 2015.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2015, the District had $9,013,782 general obligation bonds, $35,561 in capital lease obligations and $29,506 in energy conservation notes outstanding. Of this total, $64,217 is due within one year and $9,014,632 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal 2015 compared to 2014.

Outstanding Debt, at Year End

	Governmental Activities 2015	Governmental Activities 2014
General obligation bonds	$9,013,782	$9,006,547
Capital lease obligations	35,561	53,761
Energy conservation notes	29,506	55,722
Total	$9,078,849	$9,116,030

See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

Revenue

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Like most districts in Ohio, the Covington Exempted Village School District relies on its property & income taxes and state aid to provide the funds necessary to maintain its educational programs. Currently, the state foundation and state reimbursements make up 47% of total General Fund revenue. The District's other major sources of General Fund Revenue are local sources – real estate taxes (19%) and income taxes (25%). The balance of the revenue comes from tangible personal property tax (on public utilities), open enrollment, student fees, donations, and interest income. *(These percentages are based on a budgetary basis.)*

State Revenue

State foundation funding distributions to school districts are determined by the biennial budget bill. The state budget is adopted in odd numbered years and implemented beginning in even numbered years.

In fiscal year 2014, the state created a new school funding formula; that year, the District was capped at 6.25% increase and in fiscal year 2015 received an 8.95% increase. For the most part, the state retained the basic framework of the last school funding formula in its latest biennial budget which covers fiscal years 2016 and 2017, but it also contains a few modifications which benefit a district like Covington. It includes the following supplements that are exempt from the funding cap: Capacity Aid (to help smaller districts where their valuation yields lower amounts of revenue per mill of taxation), a graduation bonus, and a third grade reading bonus. Additional funds have also been directed to districts that have a large agricultural base. For fiscal year 2016, the core funding is $5,900 per pupil. The District's state share percentage is 54.4% which equates to $3,210 per pupil. With the new funding formula, the District is anticipating a 19.6% increase in state aid in fiscal year 2016 and a 5.8% increase in fiscal year 2017.

In 2009, Ohio voters approved operating four casino facilities in the state, with a 33% tax to be levied & collected by the State of Ohio on all gross casino revenue. The first of the two casinos opened in May of 2012. Thirty-four percent of the tax is distributed to public school districts based on enrollment. The District first received casino tax revenue in fiscal year 2013; receipts came in at about $21 per pupil, for a total of $18,905. Fiscal year 2014 casino revenue was $45,500 and for fiscal year 2015 the District received $44,481. Future income is estimated at about $50 per pupil for an annual income of approximately $40,000.

Another source of revenue for the District is from students open enrolling into the District. When a student open enrolls in or out, the state and local share of funding is transferred to the educating district. While the District has students enrolling out as well, there are more enrolling in (in fiscal year 2015 there were 75 coming in and 49 going out), which results in a net financial gain for the District. Currently legislation has been introduced to terminate open enrollment; if passed, this would negatively affect our funding.

Local Revenue

For several years, the state of the economy had an adverse effect on the District's local revenue sources. The slowdown in the economy resulted in a 6% reduction in income tax receipts in fiscal year 2010 and no growth in fiscal year 2011. Receipts did rebound in fiscal year 2012, resulting in unpredictable growth of a little over 10%. Fiscal year 2013 receipts increased by 2.6% over the prior year. Fiscal year 2014 showed growth of 8.6%, partially attributed to the "fiscal cliff" (i.e. taxpayers choosing to recognize income in 2012 – tax return filed in April 2013, income received by the school in July 2013 – due to uncertainty regarding federally imposed tax rates for 2013 and beyond.) Fiscal year 2015 income tax receipts showed growth of about 2%, in addition to the 0.25% collection for the building project.

The current income tax includes one-half percent (.50%) which was approved in 1993 for continuous or permanent collection, and an additional five-year 1.25% tax (first passed in 2006, with the current levy effective 2016 thru 2020.)

In May of 2013, voters approved an initiative to build a new PK-8 facility and renovate the current High School. The approval included a .25% continuous income tax along with a 3.89 property mill levy, both effective in January 2014.

The Miami County Auditor conducted a re-appraisal in calendar year 2013. While residential, industrial and commercial values declined, agricultural values increased (reflecting Current Agricultural Use Values), resulting in a slight gain of 2% in total Real Property Values. Based on the updated tax value changes, voted tax rates are adjusted proportionately to produce the same amount of revenue as originally approved by the voters (but will not be lower than 20 mills.) The net effect of the updated values was a slight increase in estimated property tax receipts of $50,000 for the District. Eighty-seven percent of the District's property tax valuation is residential or agricultural.

The operating levies for the District total 30.4 voted mills, but the assessed millage (i.e. effective rate) is at the 20-mill floor for Real Property Class 1, and 23.17 mills for Class 2 Property.

In 2004, legislation (HB66) was approved to phase out the tax on tangible personal property on general business, telephone and telecommunication companies and railroads. Revenue from the state's new Commercial Activity Tax (CAT) was supposed to provide the state a dedicated revenue stream to continue tangible replacement payments through 2017. However, the state's current budget immediately eliminated this reimbursement for the District which totaled approximately $111,000 for fiscal year 2012.

Expenditures

Approximately 74% of the District's expenses are salaries and benefits. The remaining 26% of costs are supplies and materials, purchased services (which include additional personnel hired through the Miami County Educational Service Center), utilities, repairs & maintenance, and tuition fees (charged for students attending special programs or other schools.) In response to deficit spending, reductions in staff were implemented in fiscal year 2012 including 1.5 FTE's in teaching staff and one aide. Negotiations for fiscal year 2012 and fiscal year 2013 resulted in a base wage freeze, as well as step freezes for the 2 year contract. In addition, changes were made to Healthcare benefits, including increased co-pays and deductibles, and the option of an HSA was added, to try and control medical insurance costs. In fiscal year 2014, certificated and classified staff received a 2.5% base increase and step increases were resumed. Agreements negotiated in fiscal year 2015 cover a three year period. In fiscal year 2015, steps were reinstated and a 2% base wage increase was given. Staff also are to receive a 2% base increase in fiscal years 2016 and 2017. *(These percentages are based on a budgetary basis.)*

In fiscal year 2012, the Board implemented a HB264 Energy Conservation Project, with estimated annual savings of $22,000 in utility, operating & maintenance costs. The project was funded with a loan, with principal & interest to be paid with the savings, resulting in a 3.72 year payback period. In addition, the Southwest Ohio Educational Purchasing Council has successfully negotiated savings for member districts with new natural gas and electricity contracts.

Permanent Improvements

A bond issue for a new Pre-K 12 school building, in conjunction with the Ohio Schools Facilities Commission, was defeated by the voters in August of 2010. Subsequently, the Board selected a new architect and worked with the administration and community leaders, to develop an alternative facility solution for the District. The recommendation was to move forward with Pre-K 8 Building, co-funded by the State, and to implement locally funded renovations to the current High School. The levy was approved by voters in May of 2013. This plan will allow the District to lower expenses by running the District as a "one campus" facility. The building is currently under construction with an expected completion date of July 2016. Renovations at the high school are also currently in progress, with the first big project, upgrading of the heat system and the installation of air conditioning, having been completed this past summer.

Conclusion

Following two years of positive cash flow, the District ended fiscal year 2015 with a negative cash flow, but only because of a one-time transfer out in the amount of $644,740 (as required by the Ohio School Facilities Commission) to cover the estimated cost of "locally funded initiatives" (LFI's) associated with the new building project.

With the passage of the building levy and an increase in state funding, the District's current financial situation is favorable. We plan to use some of the unexpected funds from the state to complete capital improvement projects, mainly at the high school due to upgrading and renovating, as well as some projects required due to changes in the school campus layout. We will also be able to continue updating our aging bus fleet and have necessary funds to maintain and replace our technology on a regular basis. The future beyond two years, however, is not certain because the current state budget is only approved through fiscal year 2017. The District will continue to monitor finances closely and look for opportunities to operate more efficiently and function within the financial parameters provided by the community.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Carol Forsythe, Treasurer, Covington Exempted Village School District, 25 Grant Street, Covington, Ohio 45318.

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COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$13,326,923
Receivables:	
Property taxes	2,183,148
Income taxes	923,563
Accounts	12,761
Intergovernmental	5,166,893
Accrued interest	5,472
Prepayments	6,981
Materials and supplies inventory	2,124
Inventory held for resale	3,827
Capital assets:	
Land and construction in progress	6,240,275
Depreciable capital assets, net	965,971
Capital assets, net	7,206,246
Total assets	28,837,938
Deferred outflows of resources:	
Pension - STRS	556,934
Pension - SERS	169,307
Total deferred outflows of resources	726,241
Liabilities:	
Accounts payable	92,401
Contracts payable	1,463,629
Accrued wages and benefits payable	598,948
Pension and post employment benefits payable	132,142
Intergovernmental payable	52,450
Accrued interest payable	76,578
Long-term liabilities:	
Due within one year	101,872
Due in more than one year:	
Net pension liability	9,876,586
Other amounts due in more than one year	9,720,420
Total liabilities	22,115,026
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	1,788,343
Pension - STRS	1,483,848
Pension - SERS	301,226
Total deferred inflows of resources	3,573,417
Net position:	
Net investment in capital assets	3,844,936
Restricted for:	
Capital projects	7,259,251
Classroom facilities maintenance	111,226
Student activities	42,869
Other purposes	61,877
Unrestricted (deficit)	(7,444,423)
Total net position	$3,875,736

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental activities:					
Instruction:					
Regular	$3,817,903	$503,766	$51,847		($3,262,290)
Specia	1,151,932	122,915	550,626		(478,391)
Other	2,682				(2,682)
Support services:					
Pupil transportation	370,610		57,848		(312,762)
Instructional staff	221,975		4,984		(216,991)
Board of education	10,397				(10,397)
Administration	880,521	3,534	5,579		(871,408)
Fiscal	276,583	98	25		(276,460)
Business	6,077				(6,077)
Operations and maintenance	592,176	6,077	783	$5,000	(580,316)
Pupil transportation	386,423		36,424		(349,999)
Central	54,899		5,400		(49,499)
Operation of non-instructional services:					
Other non-instructional services	174,583	1,098	77,884		(95,601)
Food service operations	348,477	151,106	156,982		(40,389)
Extracurricular activities	560,682	177,525	44,241		(338,916)
Interest and fiscal charges	469,483				(469,483)
Total governmental activities	$9,325,403	$966,119	$992,623	$5,000	(7,361,661)

General revenues:	
Property taxes levied for:	
General purposes	1,758,782
Debt service	320,522
School district income tax	2,278,314
Grants and entitlements not restricted to specific programs	3,798,790
Investment earnings	27,762
Miscellaneous	44,724
Total general revenues	8,228,894
Change in net position	867,233
Net position at beginning of year (restated)	3,008,503
Net position at end of year	$3,875,736

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Classroom Facilities	Non-major Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	$1,753,955	$9,279,406	$2,293,562	$13,326,923
Receivables:				
Property taxes	1,841,467		341,681	2,183,148
Income taxes	923,563			923,563
Accounts	2,307		10,454	12,761
Accrued interest	1,070	4,402		5,472
Intergovernmental		5,152,016	14,877	5,166,893
Prepayments	6,981			6,981
Materials and supplies inventory			2,124	2,124
Inventory held for resale			3,827	3,827
Total assets	4,529,343	14,435,824	2,666,525	21,631,692
Liabilities:				
Accounts payable	14,339		78,062	92,401
Contracts payable		1,241,263	222,366	1,463,629
Accrued wages and benefits payable	553,431		45,517	598,948
Compensated absences payable	21,924			21,924
Intergovernmental payable	50,196		2,254	52,450
Pension and post employment benefits payable	120,294		11,848	132,142
Total liabilities	760,184	1,241,263	360,047	2,361,494
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	1,509,711		278,632	1,788,343
Delinquent property tax revenue not available	46,285		8,360	54,645
Income tax revenue not available	156,749			156,749
Intergovernmental revenue not available		5,152,016		5,152,016
Accrued interest not available		1,981		1,981
Total deferred inflows of resources	1,712,745	5,153,997	286,992	7,153,734
Fund balances:				
Non-spendable:				
Materials and supplies inventory			2,124	2,124
Prepaids	6,981			6,981
Restricted:				
Debt service			55,650	55,650
Capital improvements		8,040,564	233,504	8,274,068
Classroom facilities maintenance			111,226	111,226
Special education			226	226
Targeted academic assistance			1,072	1,072
Other purposes			61,877	61,877
Extracurricular			42,869	42,869
Committed:				
Capital improvements			1,536,547	1,536,547
Assigned:				
Student instruction	297			297
Student and staff support	22,717			22,717
Unassigned (deficit)	2,026,419		(25,609)	2,000,810
Total fund balances	2,056,414	8,040,564	2,019,486	12,116,464
Total liabilities, deferred inflows of resources and fund balances	$4,529,343	$14,435,824	$2,666,525	$21,631,692

See accompanying notes to the basic financial statements..

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total governmental fund balances		$12,116,464
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,206,246
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	$54,645	
Income taxes receivable	156,749	
Accrued interest receivable	1,981	
Intergovernmental receivable	5,152,016	
Total		5,365,391
Unamortized premiums on bonds issued are not recognized in the funds.		(247,691)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	726,241	
Deferred inflows of resources - pension	(1,785,074)	
Net pension liability	(9,876,586)	
Total		(10,935,419)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(76,578)
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	(9,013,782)	
Capital lease obligations	(35,561)	
Notes payable	(29,506)	
Compensated absences	(473,828)	
Total		(9,552,677)
Net position of governmental activities		$3,875,736

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Classroom Facilities	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	$1,723,553		$320,522	$2,044,075
Income taxes	2,117,908		138,683	2,256,591
Tuition	578,387			578,387
Charges for services			151,106	151,106
Earnings on investments	5,206	$18,223	3,528	26,957
Extracurricular	16,263		181,864	198,127
Classroom materials and fees	35,565			35,565
Rental income	2,934			2,934
Contributions and donations	27,224		119,340	146,564
Other local revenues	43,170		3,105	46,275
Intergovernmental - state	4,036,372	4,429,525	65,761	8,531,658
Intergovernmental - federal			563,172	563,172
Total revenues	8,586,582	4,447,748	1,547,081	14,581,411
Expenditures:				
Current:				
Instruction:				
Regular	3,854,539		31,778	3,886,317
Special	878,620		295,644	1,174,264
Other	2,793			2,793
Support services:				
Pupil	314,128		59,394	373,522
Instructional staff	225,702		5,064	230,766
Board of education	10,527			10,527
Administration	901,358			901,358
Fiscal	271,555		5,989	277,544
Operations and maintenance	589,789		22,472	612,261
Pupil transportation	438,175		8,607	446,782
Central	46,812		5,400	52,212
Operation of non-instructional services:				
Other non-instructional services	71,210		107,516	178,726
Food service operations			354,071	354,071
Extracurricular activities	308,988		216,115	525,103
Facilities acquisition and construction	126,976	4,764,275	328,498	5,219,749
Debt service:				
Principal retirement	44,416		5,000	49,416
Interest and fiscal charges	5,028		459,049	464,077
Total expenditures	8,090,616	4,764,275	1,904,597	14,759,488
Excess (deficiency) of revenues over (under) expenditures	495,966	(316,527)	(357,516)	(178,077)
Other financing sources (uses):				
Sale of assets	2,865		150	3,015
Transfers in			747,230	747,230
Transfers (out)	(747,230)			(747,230)
Total other financing sources (uses)	(744,365)		747,380	3,015
Net change in fund balances	(248,399)	(316,527)	389,864	(175,062)
Fund balances at beginning of year	2,304,813	8,357,091	1,629,622	12,291,526
Fund balances at end of year	$2,056,414	$8,040,564	$2,019,486	$12,116,464

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

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, 2015

Net change in fund balances - total governmental funds		($175,062)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$5,329,080	
Current year depreciation	(165,340)	
Total		5,163,740
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	35,229	
Income taxes	21,723	
Earnings on investments	1,130	
Intergovernmental	(4,446,857)	
Total		(4,388,775)
Repayment of capital lease and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		49,416
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	74	
Accreted interest on capital appreciation bonds	(12,235)	
Amortization of bond premiums	6,755	
Total		(5,406)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		633,229
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(419,431)
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.		9,522
Change in net position of governmental activities		$867,233

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

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, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
From local sources:				
Property taxes	$1,631,307	$1,631,307	$1,623,213	($8,094)
Income taxes	2,115,463	2,115,463	2,149,019	33,556
Tuition	466,200	466,200	578,387	112,187
Earnings on investments	4,000	4,000	4,835	835
Classroom materials and fees	34,900	34,900	35,565	665
Rental income	3,500	3,500	2,934	(566)
Contributions and donations	6,700	6,700	9,619	2,919
Other local revenues	2,000	2,000	16,823	14,823
Intergovernmental - state	3,938,532	3,938,532	4,077,706	139,174
Intergovernmental - federal	200	200		(200)
Total revenues	8,202,802	8,202,802	8,498,101	295,299
Expenditures:				
Current:				
Instruction:				
Regular	3,761,295	3,762,299	3,846,150	(83,851)
Special	1,015,253	996,035	864,070	131,965
Other	4,396	4,396	2,779	1,617
Support services:				
Pupil	337,288	339,788	313,018	26,770
Instructional staff	195,060	200,260	230,000	(29,740)
Board of education	16,013	16,013	10,418	5,595
Administration	897,259	924,359	890,777	33,582
Fiscal	278,955	279,455	269,948	9,507
Operations and maintenance	652,261	651,661	600,241	51,420
Pupil transportation	486,225	487,625	440,689	46,936
Centra	122,147	122,650	46,763	75,887
Operation of non-instructional services:				
Other non-instructional services	85,959	85,959	71,214	14,745
Extracurricular activities	279,583	279,583	307,823	(28,240)
Facilities acquisition and construction	115,750	129,750	127,276	2,474
Debt service:				
Principal	26,216	26,216	26,216	
Interest and fiscal charges	1,385	1,385	1,385	
Total expenditures	8,275,045	8,307,434	8,048,767	258,667
Excess (deficiency) of revenues over (under) expenditures	(72,243)	(104,632)	449,334	553,966
Other financing sources (uses):				
Refund of prior year's expenditures	200	200	20,457	20,257
Refund of prior year's receipts	(200)	(200)		200
Transfers (out)	(68,878)	(750,878)	(747,230)	3,648
Sale of capital assets			7,120	7,120
Total other financing sources (uses)	(68,878)	(750,878)	(719,653)	31,225
Net change in fund balance	(141,121)	(855,510)	(270,319)	585,191
Fund balance at beginning of year	1,972,802	1,972,802	1,972,802	
Prior year encumbrances appropriated	27,948	27,948	27,948	
Fund balance at end of year	$1,859,629	$1,145,240	$1,730,431	$585,191

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	$34,266
Total assets	34,266
Liabilities:	
Accounts payable	360
Due to students	33,906
Total liabilities	$34,266

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1837 through the consolidation of existing land areas and school districts. The District serves an area of approximately 35 square miles. It is located in Miami County and includes all of the village of Covington and Newberry, Newton and Washington Townships. The District is staffed by 33 non-certified employees and 64 certified full-time teaching personnel who provide services to 877 students and other community members. The District currently operates three instructional/support buildings.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of K-12 schools in Darke, Miami and Montgomery Counties, plus Fairborn City Schools (in Greene County). The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the regional instructional technology needs of the SOITA member schools by facilitating the use of high quality instructional technology to improve both teaching and learning. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions.

Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the Net Position shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, 1205 E. Fifth Street, Dayton Ohio 45402.

Upper Valley Career Center

The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or county school districts: Piqua, Shelby, Sidney, and Troy. To obtain financial information, write to the Upper Valley Joint Vocational School, Anthony Fraley, who serves as Treasurer, 8811 Career Drive, Piqua, Ohio 45356-9254.

The Covington Education Fund

The Covington Education Fund is a component fund of the Troy Foundation. The purpose of the Education Fund is to promote general education enrichment in the community of Covington.

The Covington Education Fund is governed by a Distribution Committee appointed by each of the following: Star Bank of Troy, Covington Village Council, Covington Chamber of Commerce, Covington Board of Education and Newberry Township Trustees. The Distribution Committee possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. All funding is through gifts, donations and grants. Financial information can be obtained from Melissa Kleptz, Executive Director, The Troy Foundation, 216 West Franklin Street, Troy, Ohio 45373.

2. Insurance Purchasing Pool

The Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designees, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Pete Japikse, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 45235.

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 €(9) of the Internal Revenue Code and provides medical, dental and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Schools of Ohio Risk Sharing Authority ("SORSA")

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA) which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-profit Corporations and functioning under the authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers. The District paid $30,360 for these services to SORSA in fiscal year 2015.

SORSA is governed by a nine member Board of Directors, each a current public school administrator, elected by and from, the membership for a three year term. The BOD meets nine times a year and is involved in all aspects of the program. The Board retains legal counsel with Peck, Shaffer & Williams LLC. SORSA is managed by an Executive Director. Willis Pooling administers the pool and York Risk Services Group manages the claims. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200 Grandview Heights, Ohio 43212.

3. Related Organization

The J. R. Clarke Public Library

The J. R. Clarke Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of seven Trustees. Covington Board of Education approves the appointment of trustees to the library Board. Each Trustee is in office for a term of seven years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the J. R. Clarke Public Library, Mary Beth Benedict, who serves as Treasurer, 102 East Spring Street, Covington, Ohio 45318.

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.

1. Governmental Funds

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

General fund – The general fund is used to account for 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.

Classroom facilities fund – A capital projects fund that is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

2. Proprietary Fund

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 does not have any trust funds. 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

1. Government-wide Financial Statements

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

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

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

2. Fund Financial Statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency funds do not report a measurement focus as they do 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 also use the accrual basis of accounting.

1. Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

2. 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, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, but which were levied to finance fiscal year 2016 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.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

3. 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.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination

2. Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final certificate of estimated resources in effect at the time the final appropriation resolution was passed by the Board of Education.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device by the Board of Education during the fiscal year for all funds, other than the agency fund, consistent with statutory provisions.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

F. Cash and Investments

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

During fiscal year 2015, investments were limited to federal agency securities, commercial paper, U.S. Treasury money market funds and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio and STAR Plus during fiscal year 2015. 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 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2015 amounted to $5,206, which includes $581 assigned from other funds.

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 government-wide statements and the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by non-spendable 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

Description	Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Vehicles	8 years

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of current service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. 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:

Non-spendable – The non-spendable 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

L. 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.

M. 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.

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.

On the fund financial statements, reported prepayments are equally offset by non-spendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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 positon 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.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*", GASB Statement No. 69 *"Government Combinations and Disposals of Government Operations",* and GASB Statement No. 71*, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68".*

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 13 to the financial statements, and added required supplementary information which is presented on pages 69 – 75.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and non-employer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	$14,157,720
Deferred outflows – payments subsequent to measurement date	585,679
Net pension liability	(11,734,896)
Restated net position at July 1, 2014	$3,008,503

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficit:

Non-major fund	Deficit
Food service	$23,485

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

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;

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was $5,229,782. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, $4,205,521 of the District's bank balance of $5,458,274 was exposed to custodial risk as discussed below, while $1,252,753 was covered by the FDIC.

4. DEPOSITS AND INVESTMENTS (Continued)

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

B. Investments

As of June 30, 2015, the District had the following investments and maturities:

		Investment Maturities	
Investment Type	**Fair value**	**6 months or less**	**7 to 12 months**
FFCB	$2,260,424	$1,230,414	$1,030,010
FHLB	2,035,131		2,035,131
FNMA	720,245	720,245	-
FHLMC	500,345		500,345
Commercial paper	1,717,695	1,717,695	
U.S. Treasury money market	6,396	6,396	
STAR Ohio	891,171	891,171	
Total	$8,131,407	$4,565,921	$3,565,486

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: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's U.S. Treasury money market mutual funds were rated AAAm by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The commercial paper held was rated P-1 by Moody's Investors Services. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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, 2015:

4. DEPOSITS AND INVESTMENTS (Continued)

Investment type	Fair Value	% to Total
FFCB	$2,260,424	27.80
FHLB	2,035,131	25.03
FNMA	720,245	8.86
FHLMC	500,345	6.15
Commercial paper	1,717,695	21.12
U.S. Treasury money market	6,396	0.08
STAR Ohio	891,171	10.96
Total	$8,131,407	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

Cash and investments per note	
Carrying amount of deposits	$5,229,782
Investments	8,131,407
Total	$13,361,189

Cash and investments per statements	
Governmental activities	$13,326,923
Agency fund	34,266
Total	$13,361,189

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported in the fund financial statements:

Transfers to the non-major governmental funds from:	
General fund	$747,230

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The $644,740 transfer from the general fund to the capital project LFI building fund (a non-major governmental fund) was required by the Ohio School Facilities Commission to cover the estimated cost of the locally funded initiatives associated with the new building project. All transfers made in fiscal year 2015 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was $276,182 in the general fund and $52,887 in the debt service fund (a non-major governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was $302,263 in the general fund $58,060 in the debt service fund (a non-major governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 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 2015 taxes were collected are:

	2014 Second Half Collections		**2015 First Half Collections**	
	Amount	**Percent**	**Amount**	**Percent**
Agricultural/residential and other real estate	$93,829,410	96.06	$94,056,810	95.96
Public utility personal	3,846,170	3.94	3,955,410	4.04
Total	$97,675,580	100.00	$98,012,220	100.00
Tax rate per $1,000 of assessed valuation	$39.61		$39.59	

7. INCOME TAX

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on April 1, 1994, and is a continuing tax. The voters approved an additional one and a quarter percent income tax, for five years, effective January 2006. The District's income tax has been renewed twice since its original issue. The current renewal is effective through 2015. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund, the permanent improvement fund (a non-major governmental fund) and the classroom facilities fund.

An additional .25% continuing income tax was passed in May 2013, effective January 1, 2014, along with a 3.89 mil bond levy, to fund the construction of a new pre-kindergarten through eighth grade school facility and renovations to the existing high school building.

8. RECEIVABLES

Receivables at June 30, 2015 consisted of income and property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

Governmental activities:	
Property taxes	$2,183,148
Income Taxes	923,563
Accounts	12,761
Intergovernmental	5,166,893
Accrued interest	5,472
Total	$8,291,837

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year, with the exception of the Ohio Facilities Construction Commission intergovernmental receivable of $5,152,016, which will be collected over the duration of the construction project.

9. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance 06/30/14	Additions	Deductions	Balance 06/30/15
Governmental activities:				
Capital assets, not being depreciated:				
Land	$399,339	$130,206		$529,545
Construction in progress	619,686	5,091,044		5,710,730
Total capital assets, not being depreciated	1,019,025	5,221,250		6,240,275

(Continued)

9. CAPITAL ASSETS (Continued)

	Balance 06/30/14	Additions	Deductions	Balance 06/30/15
Governmental activities: (Continued)				
Capital assets, being depreciated:				
Land improvements	852,207			852,207
Buildings and improvements	3,477,301			3,477,301
Furniture and equipment	893,935	21,230	($10,816)	904,349
Vehicles	504,396	86,600		590,996
Total capital assets, being depreciated	5,727,839	107,830	(10,816)	5,824,853
Less: accumulated depreciation				
Land improvements		(28,335)		(715,221)
Buildings and improvements		(38,998)		(3,007,781)
Furniture and equipment		(62,328)	10,816	(709,068)
Vehicles		(35,679)		(426,812)
Total accumulated depreciation		(165,340)	10,816	(4,858,882)
Governmental activities capital assets, net	$2,042,506	$5,163,740	$0	$7,206,246

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$65,117
Special	226
Support services:	
Pupil	204
Board of education	54
Administration	1,603
Fiscal	109
Business	6,077
Operations and maintenance	7,265
Pupil transportation	32,362
Central	4,222
Operation of non-instructional services	205
Extracurricular activities	46,946
Food service operations	950
Total depreciation expense	$165,340

10. CAPITALIZED LEASES – LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

10. CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)

Capital assets consisting of furniture and equipment have been capitalized in the amount of $93,357. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2015 was $65,349, leaving a current book value of $28,008. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2015 fiscal year totaled $18,200 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,	Amount
2016	$21,844
2017	16,382
Total minimum lease payments	38,226
Less: Amount representing interest	(2,665)
Total	$35,561

11. LONG-TERM OBLIGATIONS

A. During the fiscal year 2015, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/2014	Additions	Reductions	Balance Outstanding 06/30/2015	Amounts Due in One Year
Governmental activities:					
Capital lease obligation	$53,761		($18,200)	$35,561	$19,711
Energy conservation notes	55,722		(26,216)	29,506	29,506
Series 2013 bonds					
Current interest bonds	8,935,000		(5,000)	8,930,000	15,000
Capital appreciation bonds	65,000			65,000	
Accreted interest	6,547	$12,235		18,782	
Compensated absences	562,972	22,069	(89,289)	495,752	37,655
Net pension liability	11,734,896		(1,858,310)	9,876,586	
Total	$21,413,898	$34,304	($1,997,015)	19,451,187	$101,872
Add: unamortized premium				247,691	
Total on statement of net position				$19,698,878	

Compensated absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District is primarily the general fund.

Capital lease obligation: See Note 10 for detail on the District's capital lease obligation.

Net pension liability: See Note 13 for detail on the District's net pension liability.

B. On June 3, 2011, the District issued energy conservation notes to provide for energy improvements to various District buildings. The notes bear an interest rate of 3% and will mature during fiscal year 2016. The primary source of repayment of these notes is through energy savings as a result of the improvements.

11. LONG-TERM OBLIGATIONS (Continued)

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the general fund. The un-matured obligations at year end are accounted for in the statement of net position.

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Fiscal Year Ending	Principal	Interest	Total
2016	$29,506	$561	$30,067
Total	$29,506	$561	$30,067

C. Series 2013 School Facilities Construction and Improvement Bonds – On September 5, 2013, the District issued $9,000,000 in general obligation serial bonds, for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a non-major governmental fund).

The issue is comprised of both current interest serial bonds, par value $8,935,000, and capital appreciation bonds par value $65,000. The interest rates on the current interest bonds range from 1.0%-6.0%. The capital appreciation bonds mature on November 1, 2022 (stated interest rate 12.42%), November 1, 2023 (stated interest rate 12.77%), November 1, 2024 (stated interest rate 7.77%), November 1, 2025 (stated interest rate 25.33%), November 1, 2026 (stated interest rate 24.61%), November 1, 2027 (stated interest rate 23.13%), November 1, 2028 (stated interest rate 21.52%), November 1, 2029 (stated interest rate 21.00%) and November 1, 2030 (stated interest rate 19.97%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $770,000. Total accreted interest of $18,782 for Series 2013 capital appreciation bonds has been included on the statement of net position at June 30, 2015.

Interest payments on the current interest serial bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2051.

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2013 Bonds:

	Current Interest – Series 2013			Capital Appreciation – Series 2013		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	$15,000	$458,949	$473,949			
2017	15,000	458,761	473,761			
2018	20,000	458,486	478,486			
2019	25,000	458,074	483,074			
2020	25,000	457,511	482,511			
2021 – 2025	325,000	2,198,279	2,523,279	$35,000	$65,000	$100,000
2026 – 2030	250,000	1,691,626	1,941,626	25,000	515,000	540,000
2031 – 2035	1,035,000	1,944,025	2,979,025	5,000	125,000	130,000
2036 – 2040	1,420,000	1,733,079	3,153,079			
2041 – 2045	1,815,000	1,336,178	3,151,178			
2046 – 2050	2,635,000	729,789	3,364,789			
2051 – 2052	1,350,000	73,634	1,423,634			
Total	$8,930,000	$11,998,391	$20,928,391	$65,000	$705,000	$770,000

11. LONG-TERM OBLIGATIONS (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Revised Code Section 133.06(I) permits school districts to incur net indebtedness in excess of the 9% limitation, without obtaining the consent of the State Superintendent and the Tax Commissioner, when bond proceeds will be used exclusively to fund a school district's Commission-required local effort. Accordingly, the proceeds of the bonds will be used exclusively to fund the District's Commission-required local effort, and, as a result, are not subject to State consents/special needs approval.

12. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts' theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. For fiscal year 2015, the District joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a nine member board consisting of superintendents, treasurers and business managers.

The York Risk Services Group is responsible for processing claims. Willis Pooling Practice serves as the Plan's administrator, sales representative, and marketing representative who establish agreements between the Plan and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

Coverage provided includes the following:

Building & Contents	$28,356,527
Contents ($1,000 deductible)	
Automobile:	
Liability	15,000,000
General Liability	
Per occurrence	15,000,000
Aggregate	17,000,000
School Board Legal Liability	15,000,000

12. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 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. Participation in the GRP is limited to 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. Medical Benefits

The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (See Note 2.A.). The intent of the MBP is to achieve the benefit of reduced health insurance costs for the District by virtue of its grouping and representation with other participants in the MBP. Premium rates are calculated for each district based on a combination of the district's experience and the MBP experience. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts who are members of the SOEPC.

13. DEFINED BENEFIT PENSION PLANS

A. 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.

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.

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

B. Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

13. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $153,511 for fiscal year 2015. Of this amount $10,830 is reported as pension and postemployment benefits payable.

C. Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

13. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $479,718 for fiscal year 2015. Of this amount, $78,463 is reported as pension and postemployment benefits payable.

D. 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, 2014, 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:

	SERS	STRS	Total
Proportionate share of the net pension liability	$1,855,949	$8,020,637	$9,876,586
Proportion of the net pension liability	0.03667200%	0.03297490%	
Pension expense	$108,306	$311,125	$419,431

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

13. DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Deferred outflows of resources:			
Differences between expected and actual experience	$15,796	$77,216	$93,012
District contributions subsequent to the measurement date	153,511	479,718	633,229
Total deferred outflows of resources	$169,307	$556,934	$726,241
Deferred inflows of resources:			
Net difference between projected and actual earnings on pension plan investments	$301,226	$1,483,848	$1,785,074
Total deferred inflows of resources	$301,226	$1,483,848	$1,785,074

$633,229 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	($71,358)	($351,658)	($423,016)
2017	(71,358)	(351,658)	(423,016)
2018	(71,358)	(351,658)	(423,016)
2019	(71,356)	(351,658)	(423,014)
Total	($285,430)	($1,406,632)	($1,692,062)

E. 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.

13. DEFINED BENEFIT PENSION PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
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	100.00 %	

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.

13. DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$2,647,888	$1,855,949	$1,189,860

F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, 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, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

13. 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	$11,482,416	$8,020,637	$5,093,137

14. POST-EMPLOYMENT 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 at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105€. 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, the 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 2015, 0.82 percent of covered payroll 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 2015, this amount was $20,450. 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 2015, the District's surcharge obligation was $19,123.

14. POST-EMPLOYMENT BENEFITS (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $28,046, $19,204, and $17,300, respectively. For fiscal year 2015, 93.69 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 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, 2015, 2014, and 2013 were $0, $34,249, and $33,553 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

15. BUDGETARY BASIS OF ACCOUNTING

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

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

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

(d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

15. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	General fund
Budget basis	($270,319)
Net adjustment for revenue accruals	46,548
Net adjustment for expenditure accruals	(20)
Net adjustment for other sources/uses	(24,712)
Funds budgeted elsewhere	(3,698)
Adjustment for encumbrances	3,802
GAAP basis	($248,399)

The public school support fund is a legally budgeted separate special revenue fund that is considered part of the general fund on a GAAP basis.

16. CONTINGENCIES

A. Grants

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

B. Litigation

The District is 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 2014-2015 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, 2015 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.

17. SET-ASIDES

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

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

	Capital Improvements
Set-aside balance June 30, 2014	
Current year set-aside requirement	$145,155
Contributions in excess of the current fiscal year set-aside requirement	
Current year qualifying expenditures	(149,383)
Excess qualified expenditures from prior years	
Current year offsets	
Waiver granted by ODE	
Prior year offset from bond proceeds	
Total	($4,228)
Balance carried forward to fiscal year 2016	$0
Set-aside balance June 30, 2015	$0

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During fiscal year 2014, the District issued $9,000,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was $8,893,663 at June 30, 2015.

18. CONTRACTUAL COMMITMENTS

As of June 30, 2015, the District had the following contractual commitments outstanding related to a stadium project. A summary of the primary contractual commitments follows:

Contractor	Contract Amount	Amount Paid Through June 30, 2015	Remaining Contract Amount
Access Engineering	$4,000		$4,000
Brian Brothers Painting	24,960		24,960
Fanning/Howey	1,640,883	$1,059,264	581,619
Heapy Engineering	53,307	13,860	39,447
Peterson Construction	15,610,000	2,962,006	12,647,994
Slagle Mechanical	764,782		764,782
Westech Environmental	43,168	5,705	37,463
	$18,141,100	$4,040,835	$14,100,265

19. OTHER COMMITMENTS

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

Fund	Year – End Encumbrances
General fund	$3,292
Classroom facilities fund	3,501,833
Other governmental	922,039
Total	$4,427,164

20. SUBSEQUENT EVENT

On August 1, 2015, Gene Gooding became the District's Superintendent.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

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 TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.03667200%	0.03667200%
District's proportionate share of the net pension liability	$1,855,949	$2,180,766
District's covered-employee payroll	$1,065,606	$1,003,027
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	217.42%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

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 TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.03297490%	0.03297490%
District's proportionate share of the net pension liability	$8,020,637	$9,554,130
District's covered-employee payroll	$3,369,123	$3,355,346
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	284.74%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2015	2014	2013	2012
Contractually required contribution	$153,511	$147,693	$138,819	$142,145
Contributions in relation to the contractually required contribution	(153,511)	(147,693)	(138,819)	(142,145)
Contribution deficiency (excess)	$0	$0	$0	$0
District's covered-employee payroll	$1,164,727	$1,065,606	$1,003,027	$1,056,840
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
$130,053	$134,507	$85,191	$84,164	$90,916	$92,374
(130,053)	(134,507)	(85,191)	(84,164)	(90,916)	(92,374)
$0	$0	$0	$0	$0	$0
$1,034,630	$993,405	$865,762	$857,067	$851,273	$873,100
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2015	2014	2013	2012
Contractually required contribution	$479,718	$437,986	$436,195	$457,774
Contributions in relation to the contractually required contribution	(479,718)	(437,986)	(436,195)	(457,774)
Contribution deficiency (excess)	$0	$0	$0	$0
District's covered-employee payroll	$3,426,557	$3,369,123	$3,355,346	$3,521,338
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
$475,291	$451,624	$442,288	$427,261	$428,513	$417,398
(475,291)	(451,624)	(442,288)	(427,261)	(428,513)	(417,398)
$0	$0	$0	$0	$0	$0
$3,656,085	$3,474,031	$3,402,215	$3,286,623	$3,296,254	$3,210,754
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. 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 year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/ *Pass Through Grantor* Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through the Ohio Department of Education)						
Nutrition Cluster:						
Non Cash Assistance (Food Distribution)						
National School Lunch Program	2015	10.555		$23,072		$23,072
Cash Assistance:						
School Breakfast Program	2015	10.553	$15,351		$15,351	
National School Lunch Program	2015	10.555	112,742		112,742	
Total Cash-Assistance Subtotal:			128,093		128,093	
Total Nutrition Cluster			128,093	23,072	128,093	23,072
Total U.S. Department of Agriculture			128,093	23,072	128,093	23,072
U.S. DEPARTMENT OF EDUCATION						
(Passed through the Ohio Department of Education)						
Title I Grants to Local Educational Agencies	2014	84.010	14,787		14,845	
	2015		176,937		169,159	
Total Title I Grants to Local Educational Agencies			191,724		184,004	
Special Education_Grants to States	2014	84.027	18,440		18,792	
	2015		169,335		160,805	
Total Special Education_Grants to States			187,775		179,597	
Improving Teacher Quality State Grants	2015	84.367	31,755		31,778	
Total U.S. Department of Education			411,254		395,379	
Total Federal Assistance			$539,347	$23,072	$523,472	$23,072

See Accompanying Notes to the Schedule of Federal Awards Receipts and Disbursements

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Covington Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Covington Exempted Village School District
Miami County
25 Grant Street
Covington, Ohio 45318

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 Covington Exempted Village School District, Miami County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Covington Exempted Village School District
Miami County
25 Grant Street
Covington, Ohio 45318

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Covington Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Covington Exempted Village School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Covington Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2016

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster: School Breakfast Program – CFDA 10.553 National School Lunch Program – CFDA 10.555
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

FINDING NUMBER 2015-001

Material Weakness

The District prepares its annual financial statements in accordance with generally accepted accounting principles (GAAP).

FINDING NUMBER 2015-001
(Continued)

The District's fiscal year 2015 financial statements contained the following error which was identified as material and resulted in audit adjustments which are reflected in the accompanying financial statements and posted to the District's trial balances:

- The District overstated contracts payable and facilities acquisition and construction expenditures in the Classroom Facilities fund and understated contracts payable and facilities acquisition and construction expenditures in Non-major Governmental Funds by $222,366. This error was due to the District not posting the accrual journal entries to the funds in which they should be reported.

The following errors were not material and not adjusted in the accompanying financial statements:

- The District overstated income taxes and transfers out in the General fund and understated income taxes and overstated transfers in in Non-major Governmental Funds by $90,990. This error was due to the District not re-classifying the transfer of income tax revenue for reporting purposes.
- The District overstated original and final budgeted and actual income tax revenue by $138,683 and understated original and final budgeted and actual property tax revenue by the same amount on the 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, 2015. This error was due to the District applying an adjustment to the improper line in their calculation of budgeted and actual revenue on the statement.

Policies and procedures should be established and implemented to verify that financial transactions are posted to the correct account and line item. Failure to do so could result in material misstatements on the financial statements.

Officials' Response:

The District will implement monitoring controls to ensure that the financial reports are correctly stated.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2016

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