

ROSS LOCAL SCHOOL DISTRICT



Basic Financial Reports

June 30, 2015



Dave Yost • Auditor of State

Board of Education
Ross Local School District
3371 Hamilton-Cleves Road
Hamilton, OH 45013

We have reviewed the *Independent Auditor's Report* of the Ross Local School District, Butler County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 5, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Ross Local School District

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 22 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension liabilities and pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
January 20, 2016

Ross Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The discussion and analysis of Ross Local School District, Ohio'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 performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net Position of governmental activities increased \$500,604 which represents a 2.6% increase from 2014.
- General revenues accounted for \$23,914,030 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,871,252 or 17% of total revenues of \$28,785,282.
- The District had \$28,284,678 in expenses related to governmental activities; \$4,871,252 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,914,030 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Classroom Facilities Fund are the major funds of the District.

Government-wide Financial Statements

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

Ross Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities. The District's programs and services include instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

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

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

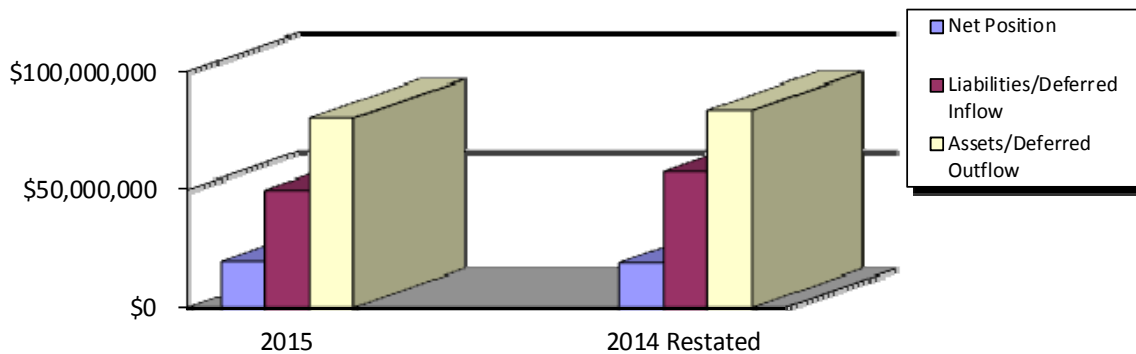
Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting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

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

Ross Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	Governmental Activities	
	2015	2014-Restated
Assets:		
Current and Other Assets	\$26,302,357	\$32,039,165
Capital Assets	54,526,386	51,582,655
Total Assets	80,828,743	83,621,820
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	630,437	684,937
	2,179,215	1,769,146
Total Deferred Outflows of Resources	2,809,652	2,454,083
Liabilities:		
Other Liabilities	2,838,559	4,887,222
Long-Term Liabilities	47,057,464	52,724,953
Total Liabilities	49,896,023	57,612,175
Deferred Inflows of Resources:		
Property Taxes	8,975,128	9,200,077
Revenue in Lieu of Taxes	200,000	262,251
Pension	5,065,240	0
Total Deferred Inflows of Resources	14,240,368	9,462,328
Net Position:		
Net Investment in Capital Assets	36,927,069	34,070,944
Restricted	6,597,557	9,708,921
Unrestricted	(24,022,622)	(24,778,465)
Total Net Position	\$19,502,004	\$19,001,400



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

Ross Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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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.

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(Unaudited)

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 \$50,493,757 to \$19,001,400.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,502,004.

At year-end, capital assets represented 67% of total assets. Capital assets include land, land improvements, buildings and improvements, vehicles and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2015, was \$36,927,069. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$6,597,557 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets increased mainly due to the completion of the construction of Morgan Elementary. Long-Term Liabilities decreased mainly due to the decrease in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

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Ross Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014 Restated
Revenues:		
Program Revenues		
Charges for Services	\$1,508,559	\$1,310,488
Operating Grants, Contributions	3,362,693	2,137,977
General Revenues:		
Income Taxes	2,865,796	2,693,467
Property Taxes	9,360,108	9,617,078
Grants and Entitlements	11,202,764	18,161,853
Other	485,362	431,150
Total Revenues	<u>28,785,282</u>	<u>34,352,013</u>
Program Expenses:		
Instruction	16,493,176	15,483,334
Support Services:		
Pupil and Instructional Staff	1,473,741	1,312,121
School Administrative, General		
Administration, and Fiscal	2,291,434	2,558,862
Operations and Maintenance	3,149,378	2,811,279
Pupil Transportation	1,861,307	1,747,775
Central	24,292	76,265
Operation of Non-Instructional Services	1,261,863	1,399,223
Extracurricular Activities	966,583	813,219
Intergovernmental	50,000	0
Interest and Fiscal Charges	712,904	711,284
Total Program Expenses	<u>28,284,678</u>	<u>26,913,362</u>
Change in Net Position	500,604	7,438,651
Net Position Beginning of Year, Restated	<u>19,001,400</u>	N/A
Net Position End of Year	<u>\$19,502,004</u>	<u>\$19,001,400</u>

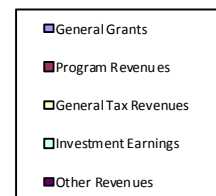
The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$1,769,146 computed under GASB 27. GASB 27 required recognizing pension 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 expenses of \$1,365,854. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Ross Local School District, Ohio
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(Unaudited)

Total 2015 program expenses under GASB 68	\$28,284,678
Program expenses under GASB 68	(1,365,854)
2015 contractually required contributions	<u>1,915,271</u>
Adjusted 2015 program expenses	28,834,095
Total 2014 program expenses under GASB 27	<u>26,913,362</u>
Increase in program expenses not related to pension	<u><u>\$1,920,733</u></u>

The District revenues are mainly from two sources. Income taxes, property taxes levied for general, special revenue and capital project purposes and grants and entitlements comprised 81% of the District's revenues for governmental activities. The District's reliance upon tax revenues is demonstrated in the following graph:

Revenue Sources	2015	Percent of Total
General Grants	\$11,202,764	38.92%
Program Revenues	4,871,252	16.92%
General Tax Revenues	12,225,904	42.47%
Investment Earnings	44,995	0.17%
Other Revenues	440,367	1.52%
	<u>\$28,785,282</u>	<u>100.00%</u>



The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 39% of revenue for governmental activities for the District in fiscal year 2015.

Grants and Entitlements decreased mainly due to a decrease in OSFC grants monies received in fiscal year 2015 as compared to fiscal year 2014. Total expenses increased mainly due to the increase in regular and operation maintenance.

Instruction comprises 58.3% of governmental program expenses. Support services expenses were 31.1% of governmental program expenses. All other expenses including interest expense were 10.6%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the

Ross Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$16,493,176	\$15,483,334	(\$13,733,523)	(\$13,745,749)
Support Services:				
Pupil and Instructional Staff	1,473,741	1,312,121	(1,393,112)	(1,294,121)
School Administrative, General				
Administration, Fiscal and Business	2,291,434	2,558,862	(2,223,041)	(2,504,453)
Operations and Maintenance	3,149,378	2,811,279	(3,107,422)	(2,789,430)
Pupil Transportation	1,861,307	1,747,775	(1,841,088)	(1,736,250)
Central	24,292	76,265	(24,292)	(76,265)
Operation of Non-Instructional Services	1,261,863	1,399,223	80,059	(232,841)
Extracurricular Activities	966,583	813,219	(408,103)	(374,504)
Intergovernmental	50,000	0	(50,000)	0
Interest and Fiscal Charges	712,904	711,284	(712,904)	(711,284)
Total Expenses	<u>\$28,284,678</u>	<u>\$26,913,362</u>	<u>(\$23,413,426)</u>	<u>(\$23,464,897)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Classroom Facilities Project Fund. Assets of these funds comprised \$21,561,910 (82%) of the total \$26,302,357 governmental funds' assets.

General Fund: Fund balance at June 30, 2015 was \$7,485,383, an increase in fund balance of \$953,814 from 2014. The primary reason for the increase in fund balance was due to an increase in income tax revenues.

Classroom Facilities Project Fund: Fund balance at June 30, 2015 was \$3,342,888, a decrease in fund balance of \$4,943,281 from 2014. The primary reason for the decrease in fund balance was due to a decrease in intergovernmental revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Ross Local School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

For the General Fund, the original budget basis revenue was \$22,679,338, compared to final budget estimates of \$23,145,859. The difference between the original budget basis and final budget was \$466,521, which was mostly due to conservative estimates in taxes and intergovernmental revenue.

The District’s ending unobligated cash balance was \$8,240,162.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$54,526,386 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

Table 4
Capital Assets, Net of Depreciation

	Governmental Activities	
	2015	2014
Land	\$1,262,525	\$1,262,525
Construction in Progress	0	5,893,616
Land Improvements	584,035	658,515
Building and Improvements	51,974,399	43,058,340
Equipment	100,857	84,097
Vehicles	604,570	625,555
Total Net Capital Assets	<u>\$54,526,386</u>	<u>\$51,582,648</u>

Capital Assets increased from the prior year due to the completion of the Morgan Elementary Building Project.

See Note 8 to the basic financial statements for further details on the District’s capital assets.

Debt

At June 30, 2015, the District had \$18,197,517 in Bonds and Capital Leases outstanding and \$648,732 due within one year. Table 5 summarizes outstanding debt at year end.

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Ross Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Governmental Activities:		
General Obligation Bonds:		
2003 School Improvement Bonds	\$760,000	\$760,000
2006 Refunding:		
Current Interest Bonds	7,255,000	7,305,000
Current Term	1,720,000	1,720,000
Capital Appreciation Bonds - Principal	110,000	110,000
Capital Appreciation Bonds - Accretion	543,153	420,038
2012 Refunding:		
Current Interest	6,445,000	6,445,000
Capital Appreciation Bonds - Principal	60,000	60,000
Capital Appreciation Bonds Accretion	55,047	35,521
Premium	683,411	742,714
Discounts	<u>(7,969)</u>	<u>(10,625)</u>
Total Bonds	17,623,642	17,587,648
Capital Leases	<u>573,875</u>	<u>1,064,559</u>
Long-Term Debt	<u><u>\$18,197,517</u></u>	<u><u>\$18,652,207</u></u>

See Note 9 and 10 to the basic financial statements for further details on the District's outstanding debt.

For the Future

On June 30, 2015, Governor John Kasich signed House Bill 64, the state biennium budget bill for fiscal years 2015 and 2016. The budget bill limits the total increased funding that will be provided to public school districts. Coupled with the funding gain limits, House Bill 64 also introduced new spending mandates and increased deductions from public school districts to fund charter and non-public options. These funding limits, spending mandates and deduction increases all have to be taken into account in monitoring the operation of the District and future decisions on pursuing additional revenue or expenditure reductions. This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Ross Local School District, 3771 Hamilton Cleves Road, Hamilton, Ohio 45013.

Ross Local School District, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$14,793,687
Restricted Cash and Investments	421,397
Receivables (Net):	
Taxes	10,476,972
Interest	7,936
Intergovernmental	594,141
Inventory	8,224
Nondepreciable Capital Assets	1,262,525
Depreciable Capital Assets, Net	<u>53,263,861</u>
 Total Assets	 <u>80,828,743</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	630,437
	<u>2,179,215</u>
 Total Deferred Outflows of Resources	 <u>2,809,652</u>
Liabilities:	
Accounts Payable	134,691
Accrued Wages and Benefits	2,557,615
Retainage Payable	96,401
Accrued Interest Payable	49,852
Long-Term Liabilities:	
Due Within One Year	866,023
Due In More Than One Year	
Net Pension Liability	28,056,915
Other Amounts	<u>18,134,526</u>
 Total Liabilities	 <u>49,896,023</u>
Deferred Inflows of Resources:	
Property Taxes	8,975,128
Revenue In Lieu of Taxes	200,000
Pension	<u>5,065,240</u>
 Total Deferred Inflows of Resources	 <u>14,240,368</u>
Net Position:	
Net Investment in Capital Assets	36,927,069
Restricted for:	
Debt Service	598,888
Capital Projects	4,683,667
Classroom facilities maintenance	704,030
Athletics	156,194
Auxiliary Services	183,868
Scholarships	107,881
State Grants	16,740
Federal Grants	130,047
Other Purposes	16,242
Unrestricted	<u>(24,022,622)</u>
 Total Net Position	 <u>\$19,502,004</u>

See accompanying notes to the basic financial statements.

Ross Local School District, Ohio
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	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$13,577,061	\$223,180	\$1,126,821	(\$12,227,060)
Special	2,356,602	64,236	1,300,074	(992,292)
Vocational	0	0	1,398	1,398
Other	559,513	43,944	0	(515,569)
Support Services:				
Pupil	1,010,321	0	20	(1,010,301)
Instructional Staff	463,420	0	80,609	(382,811)
General Administration	29,857	0	0	(29,857)
School Administration	1,637,154	220	68,173	(1,568,761)
Fiscal	624,423	0	0	(624,423)
Operations and Maintenance	3,149,378	8,830	33,126	(3,107,422)
Pupil Transportation	1,861,307	0	20,219	(1,841,088)
Central	24,292	0	0	(24,292)
Operation of Non-Instructional Services	1,261,863	609,671	732,251	80,059
Extracurricular Activities	966,583	558,478	2	(408,103)
Intergovernmental	50,000	0	0	(50,000)
Interest and Fiscal Charges	712,904	0	0	(712,904)
Total Governmental Activities	\$28,284,678	\$1,508,559	\$3,362,693	(23,413,426)

General Revenues:	
Income Taxes	2,865,796
Property Taxes Levied for:	
General Purposes	7,954,423
Debt Service Purposes	1,166,297
Capital Projects Purposes	239,388
Grants and Entitlements, Not Restricted	11,202,764
Revenue in Lieu of Taxes	218,184
Investment Earnings	44,995
Other Revenues	222,183
Total General Revenues	23,914,030
Change in Net Position	500,604
Net Position - Beginning of Year, Restated	19,001,400
Net Position - End of Year	\$19,502,004

See accompanying notes to the basic financial statements.

Ross Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$8,409,726	\$3,342,888	\$3,041,073	\$14,793,687
Restricted Cash and Investments	324,996	96,401	0	421,397
Receivables (Net):				
Taxes	9,179,963	0	1,297,009	10,476,972
Accounts	0	0	0	0
Interest	7,936	0	0	7,936
Intergovernmental	200,000	0	394,141	594,141
Inventory	0	0	8,224	8,224
Total Assets	18,122,621	3,439,289	4,740,447	26,302,357
Liabilities:				
Accounts Payable	91,785	0	42,906	134,691
Accrued Wages and Benefits	2,316,419	0	241,196	2,557,615
Compensated Absences	45,417	0	0	45,417
Retainage Payable	0	96,401	0	96,401
Total Liabilities	2,453,621	96,401	284,102	2,834,124
Deferred Inflows of Resources:				
Property Taxes	7,785,914	0	1,252,122	9,038,036
Income Taxes	190,958	0	0	190,958
Grants and Other Taxes	200,000	0	279,042	479,042
Investment Earnings	6,745	0	0	6,745
Total Deferred Inflows of Resources	8,183,617	0	1,531,164	9,714,781
Fund Balances:				
Restricted	0	3,342,888	3,028,550	6,371,438
Assigned	305,969	0	0	305,969
Unassigned	7,179,414	0	(103,369)	7,076,045
Total Fund Balances	7,485,383	3,342,888	2,925,181	13,753,452
Total Liabilities, Deferred Inflows and Fund Balances	\$18,122,621	\$3,439,289	\$4,740,447	\$26,302,357

See accompanying notes to the basic financial statements.

Ross Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balance		\$13,753,452
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		54,526,386
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Income Taxes	\$190,958	
Delinquent Property Taxes	62,908	
Interest	6,745	
Intergovernmental	<u>279,042</u>	
		539,653
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(49,852)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(683,106)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		630,437
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$2,179,215	
Deferred inflows of resources related to pensions	<u>(5,065,240)</u>	
		(2,886,025)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$28,056,915)	
Other Amounts	<u>(18,272,026)</u>	
		<u>(46,328,941)</u>
Net Position of Governmental Activities		<u><u>\$19,502,004</u></u>

See accompanying notes to the basic financial statements.

Ross Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$8,016,145	\$0	\$1,417,454	\$9,433,599
Income Taxes	2,697,196	0	168,209	2,865,405
Tuition and Fees	270,911	0	0	270,911
Investment Earnings	34,398	6,103	0	40,501
Intergovernmental	11,727,458	0	2,606,088	14,333,546
Extracurricular Activities	189,724	0	404,342	594,066
Charges for Services	3,155	0	640,426	643,581
Revenue in Lieu of Taxes	199,878	0	18,306	218,184
Other Revenues	172,715	0	49,470	222,185
Total Revenues	23,311,580	6,103	5,304,295	28,621,978
Expenditures:				
Current:				
Instruction:				
Regular	11,884,381	0	1,013,920	12,898,301
Special	1,840,786	0	575,995	2,416,781
Other	560,639	0	0	560,639
Support Services:				
Pupil	1,025,034	0	20	1,025,054
Instructional Staff	403,663	0	72,637	476,300
General Administration	30,296	0	0	30,296
School Administration	1,643,926	0	27,742	1,671,668
Fiscal	635,455	0	19,585	655,040
Operations and Maintenance	1,931,518	4,900	377,282	2,313,700
Pupil Transportation	1,684,250	0	0	1,684,250
Central	24,898	0	0	24,898
Operation of Non-Instructional Services	208	0	1,221,636	1,221,844
Extracurricular Activities	265,601	0	683,048	948,649
Intergovernmental	0	0	50,000	50,000
Capital Outlay	15,736	4,944,484	150,000	5,110,220
Debt Service:				
Principal Retirement	273,600	0	477,570	751,170
Interest and Fiscal Charges	4,129	0	565,104	569,233
Total Expenditures	22,224,120	4,949,384	5,234,539	32,408,043
Excess of Revenues Over (Under) Expenditures	1,087,460	(4,943,281)	69,756	(3,786,065)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	3,650	0	0	3,650
Issuance of Long-Term Capital-Related Debt	210,486	0	0	210,486
Transfers In	0	0	1,347,782	1,347,782
Transfers (Out)	(347,782)	0	(1,000,000)	(1,347,782)
Total Other Financing Sources (Uses)	(133,646)	0	347,782	214,136
Net Change in Fund Balance	953,814	(4,943,281)	417,538	(3,571,929)
Fund Balance - Beginning of Year	6,531,569	8,286,169	2,507,643	17,325,381
Fund Balance - End of Year	\$7,485,383	\$3,342,888	\$2,925,181	\$13,753,452

See accompanying notes to the basic financial statements.

Ross Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds (\$3,571,929)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$4,877,623	
Depreciation Expense	<u>(1,933,892)</u>	2,943,731

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	\$1,915,271	
Cost of benefits earned net of employee contributions	<u>(1,365,854)</u>	549,417

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

Income Taxes	\$391	
Delinquent Property Taxes	(73,491)	
Interest	4,494	
Intergovernmental	<u>231,910</u>	163,304

Repayment of bond principal and STRS Early Retirement Incentive is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

757,421

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

(3,177)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	\$12,817	
Amortization of Bond Premium	59,303	
Amortization of Bond Discount	(2,656)	
Amortization of Deferred Charge on Refunding	(54,500)	
Bond Accretion	<u>(142,641)</u>	(127,677)

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

(210,486)

Change in Net Position of Governmental Activities

\$500,604

See accompanying notes to the basic financial statements.

Ross Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$1,058	\$27,928
Total Assets	<u>1,058</u>	<u>27,928</u>
Liabilities:		
Accounts Payable	0	1,358
Other Liabilities	<u>0</u>	<u>26,570</u>
Total Liabilities	<u>0</u>	<u>\$27,928</u>
Net Position:		
Held in Trust	<u>1,058</u>	
Total Net Position	<u><u>\$1,058</u></u>	

See accompanying notes to the basic financial statements.

Ross Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Donations	\$0
Total Additions	0
Deductions:	
Scholarships	0
Total Deductions	0
Change in Net Position	0
Net Position - Beginning of Year	1,058
Net Position - End of Year	\$1,058

See accompanying notes to the basic financial statements.

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

Description of the District

The Ross Local School District (the "School District") is organized under Sections 2 and 3, Article VI, of the Constitution of the State of Ohio and Chapters 3311 and 3315 of the Ohio Revised Code. Under existing statutes, the Ross Local Board of Education, on behalf of the School District, has the authority to acquire, maintain and dispose of school property; develop and adopt school programs; and establish, organize and operate schools.

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

Reporting Entity

The financial reporting entity is composed of the School District (primary government). The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. Potential component units were reviewed for possible inclusion in the financial statements. Component units are legally separate organizations for which the School District would be financially accountable. The School District would be financially accountable for an organization if the School District appointed a voting majority of the organization's governing board and (1) the School District was able to significantly influence the programs or services performed or provided by the organization; or (2) the School District was legally entitled to or can otherwise access the organization's resources; the School District was legally obligated or had otherwise assumed the responsibility to finance the deficits of or provided financial support to, the organization; or the School District was obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There were no component units included in the reporting entity.

Jointly Governed Organization: The School District participates in two jointly governed organizations. These jointly governed organizations are described in Note 17.

Basis of Presentation - Fund Accounting

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the School District as a whole. These statements include financial activities of the primary government except for fiduciary funds. The effect of interfund activity has been removed from these statements. The statements distinguish between those types of activities of the School District that are governmental and those that are considered to be business-type activities. The School District has no business type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e. revenues and other financial sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid in financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

The following fund types are used by the District:

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

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

Classroom Facilities Project Fund – This fund was created to account for State monies to be received and used for improvements on existing facilities of the School District.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The School District's fiduciary funds consist of a private purpose trust fund and an agency fund. The private-purpose trust fund accounts for scholarship programs for students. These assets are

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

not available for the School District's use. Agency funds, which are used to account for student activities, are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations.

Note 2 - Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year-end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, income taxes, interest, tuition, student fees and grants.

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. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds use accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, grants and other taxes (which includes tax incremental financing 'TIF') and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. During fiscal year 2015, the School District's investments were limited to U.S. Money Markets, U.S. Agency securities and U.S. Treasuries.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value are reported in the operations statements. The School District recorded investments held at June 30, 2015 at fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

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

Restricted Assets

Restricted assets in the general fund represent equity in pooled cash and investments set aside for the budget stabilization and retainage owed to contractors.

Inventories

Inventories of governmental funds are stated at cost, determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements but are not reported in the governmental fund financial statements. The School District defines capital assets as those with an individual cost of more than \$5,000 and an estimated

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

useful life in excess of one year. All capital assets are reported at cost or estimated historical cost. Donated capital assets are stated at their estimated fair value when received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30-50 years
Land Improvements	10-20 years
Furniture and Equipment	5-20 years
Vehicles	10 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the District's restricted net position was restricted by enabling legislation.

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net position.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that can be used only for the specific purposes imposed by a formal action (board resolution) of the District's Board of Education. The Board of Education is the highest level of decision making authority for the District. Those committed resources cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action (board resolution) it employed to previously commit those resources.

Assigned – resources intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

are intended to be used for specific purposes as approved through the District's formal purchase order procedure by the Superintendent and the Treasurer. The adoption of the board appropriation resolution is the established policy, which gives the authorization to assign resources for a specific purpose.

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

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

Estimates

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

Note 3 – Deficit Fund Balances

At June 30, 2015, the following funds had a deficit fund balance:

<u>Other Governmental Funds:</u>	
Improving Teacher Quality	\$4,641
IDEA Part B	9,273
Title I	9,628
Food Service	79,827

These deficit balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - Equity in Pooled Cash and Investments

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

Active Deposits - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the School District. Such monies must by law be maintained either as cash in the School 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 - Those monies not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

certificates of deposit maturing not later than the end of the current period of designated depositories or as savings or deposit accounts, including, but not limited to, passbook accounts.

Interim Deposits - Interim monies are those monies that 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 accounts including passbook accounts.

Protection of the School 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 moneys deposited with the institution.

Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

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 School 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$10,244,684 of the School District's bank balance of \$10,494,684 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

The School District's investments at June 30, 2015 are as summarized as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Bank - Discount Note	\$454,947	0.19
Federal Home Loan Bank	349,976	0.99
Federal Home Loan Mortgage Corporation	1,872,076	2.26
U.S. Treasury Notes	215,101	0.34
Federal National Mortgage Association	2,177,771	2.70
U.S. Money Market Funds	14,403	0.00
Total Fair Value	\$5,084,274	

Portfolio Weighted Average Maturity 2.09

Credit Risk - It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized

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statistical rating organizations. The School District’s investments in Federal Agency Securities were rated AA+ by Standard & Poor’s and Aaa by Moody’s. The School District’s investments in U.S. Treasury Notes and U.S. Money Market Funds were not rated.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure of a counter party, the School 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 School District’s investment securities are registered in the name of the School District.

Interest Rate Risk - In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

Concentration of Credit Risk - The School District’s investment policy does not place any limit on investments in any single issuer. The School District’s investments are in the following:

Investments	Percent
Federal Home Loan Bank - Discount Note	8.95
Federal Home Loan Bank	6.88
Federal Home Loan Mortgage Corporation	36.82
U.S. Treasury Notes	4.23
Federal National Mortgage Association	42.83
U.S. Money Market Funds	0.29

Note 5 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in the subsequent fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against real and public utility property located within the School District.

Real property taxes and public utility taxes are levied after April against the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised value.

The School District receives property taxes from the Butler County Auditor, who periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2016 operations.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amounts available as advances in the General Fund and Other Governmental Funds at June 30, 2015 were \$250,428, and \$44,887, respectively.

Ross Local School District, Ohio
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For The Fiscal Year Ended June 30, 2015

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

<u>Amount</u>	
Agricultural/Residential and Other Real Estate	\$353,535,560
Personal Property	<u>38,003,070</u>
Total Assessed Value	<u><u>\$391,538,630</u></u>

Note 6 – Interfund Transactions

Interfund transactions at June 30, 2015 consisted of the following transfers in/out:

	Transfers	
	<u>In</u>	<u>Out</u>
General	\$0	\$347,782
Other Governmental Funds	<u>1,347,782</u>	<u>1,000,000</u>
Total	<u><u>\$1,347,782</u></u>	<u><u>\$1,347,782</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general or debt service funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer of \$1,000,000 from Other Governmental Funds (Debt Service Fund) to Other Governmental Funds (Permanent Improvement Fund) was made, with County Budget Commission approval, in accordance with Ohio Revised Code (ORC) Section 5705.14(c)(2).

Note 7 – Income Tax

The School District levies a voted tax of .75 percent for general operations on the income of residents and estates. The voted levy is for a continuous term. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and the Classroom Facilities Maintenance Fund. The State requires the School District to set aside a certain amount of money for maintaining classrooms. This is being funded with income tax as allowed by law.

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Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 8 – Capital Assets

A summary of the changes in capital assets for governmental activities during the fiscal year is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,262,525	\$0	\$0	\$1,262,525
Construction in Progress	5,893,613	4,692,426	10,586,039	0
Capital Assets, being depreciated:				
Land Improvements	2,206,068	0	0	2,206,068
Buildings and Improvements	68,087,687	10,624,596	45,539	78,666,744
Equipment	212,232	30,799	5,829	237,202
Vehicles	2,421,944	115,841	280,569	2,257,216
Totals at Historical Cost	<u>80,084,069</u>	<u>15,463,662</u>	<u>10,917,976</u>	<u>84,629,755</u>
Less Accumulated Depreciation:				
Land Improvements	1,547,553	74,480	0	1,622,033
Buildings and Improvements	25,029,337	1,708,547	45,539	26,692,345
Equipment	128,135	14,039	5,829	136,345
Vehicles	1,796,389	136,826	280,569	1,652,646
Total Accumulated Depreciation	<u>28,501,414</u>	<u>1,933,892</u>	<u>331,937</u>	<u>30,103,369</u>
Governmental Activities Capital Assets, Net	<u>\$51,582,655</u>	<u>\$13,529,770</u>	<u>\$10,586,039</u>	<u>\$54,526,386</u>

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$1,023,189
Support Services:	
Instructional Staff	296
Operations and Maintenance	773,598
Pupil Transportation	98,513
Operation of Non-Instructional Services	6,610
Extracurricular Activities	31,686
Total Depreciation Expense	<u>\$1,933,892</u>

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 9 – Long-Term Obligations

Long-Term Obligations – The changes in the School District’s long-term obligations during fiscal year 2015 were as follows:

	Interest Rate	Restated Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2003 School Improvement Bonds	3.1-5.0%	\$760,000	\$0	\$0	\$760,000	\$0
2006 Refunding:						
Current Interest Bonds		7,305,000	0	(50,000)	7,255,000	0
Current Term	4.0-4.375%	1,720,000	0	0	1,720,000	0
Capital Appreciation Bonds - Principal		110,000	0	0	110,000	110,000
Capital Appreciation Bonds - Accretion		420,038	123,115	0	543,153	0
2012 Refunding:						
Current Interest	2.0-3.0%	6,445,000	0	0	6,445,000	35,000
Capital Appreciation Bonds - Principal		60,000	0	0	60,000	0
Capital Appreciation Bonds Accretion		35,521	19,526	0	55,047	0
Premium		742,714	0	(59,303)	683,411	0
Discounts		(10,625)	0	2,656	(7,969)	0
Total Bonds		17,587,648	142,641	(106,647)	17,623,642	145,000
Net Pension Liability:						
STRS		26,768,995	0	(4,235,897)	22,533,098	0
SERS		6,492,508	0	(968,691)	5,523,817	0
Total Net Pension Liability		33,261,503	0	(5,204,588)	28,056,915	0
Capital Leases		1,064,559	210,486	(701,170)	573,875	503,732
Long-Term Debt		51,913,710	353,127	(6,012,405)	46,254,432	648,732
STRS Early Retirement Incentive		80,760	0	(6,251)	74,509	74,509
Compensated Absences		730,483	149,412	(151,372)	728,523	142,782
Total Governmental Activities Long-Term Liabilities		<u>\$52,724,953</u>	<u>\$502,539</u>	<u>(\$6,170,028)</u>	<u>\$47,057,464</u>	<u>\$866,023</u>

The School District issued \$24,900,000 in School Improvement Bonds in fiscal year 2003 that was originally scheduled to mature in fiscal year 2025, for the construction of a high school and improvements to the School District’s elementary schools. The original issue included current interest serial bonds and capital appreciation bonds. The School District advanced refunded \$16,105,000 of this issuance in fiscal years 2007 and 2012. The remaining current interest serial bonds will be fully matured in 2017. The refunded bonds were not included in the School District’s outstanding debt since the School District has satisfied its obligations through the advance refunding.

The School District issued \$9,415,000 in Series 2006 Refunding Bonds that mature in December 2029, for the partial advance refunding of \$9,415,000 of Series 2003 School Improvement Bonds. The Series 2006 bonds include current interest serial bonds that will mature in December 2028; two issues of current interest term bonds that mature in December 2020 and December 2025; and capital appreciation bonds that will mature in December 2015. The maturity amount of the capital appreciation bonds is \$725,000.

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

The School District issued \$6,690,000 in Series 2012 Refunding Bonds that mature in December 2024, for the partial advance refunding of \$6,690,000 in Series 2003 School Improvement Bonds. These bonds include serial bonds that will mature in December 2024 and capital appreciation bonds that will mature in December 2019. The maturity amount of the capital appreciation bonds is \$320,000.

All general obligation debt is supported by the full faith and credit of the School District. The School Improvement and Refunding Bonds are paid from the Debt Service Fund. The Capital Leases will be paid from the General Fund and the Permanent Improvement Fund. Compensated absences and the STRS early retirement incentive are generally paid by the General Fund and Special Revenue funds.

Principal and interest requirements to retire the School District's long-term general obligation bonds outstanding at June 30, 2015 are shown in the table below.

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$35,000	\$161,750	\$196,750	\$110,000	\$615,000	\$725,000
2017	515,000	920,662	1,435,662	0	0	0
2018	515,000	957,462	1,472,462	0	0	0
2019	980,000	530,812	1,510,812	0	0	0
2020	705,000	773,462	1,478,462	0	0	0
2021-2025	6,385,000	2,050,852	8,435,852	60,000	260,000	320,000
2026-2029	7,045,000	642,807	7,687,807	0	0	0
Total	<u>\$16,180,000</u>	<u>\$6,037,807</u>	<u>\$22,217,807</u>	<u>\$170,000</u>	<u>\$875,000</u>	<u>\$1,045,000</u>

Note 10 – Capital Leases – Lessee Disclosure

During fiscal year 2011, the School District entered into a lease agreement related to the construction of the new high school. Assets acquired under these leases were \$782,000. During fiscal year 2013, the School District entered into a \$1,274,991 lease-purchase agreement to finance a portion of the renovations to Morgan Elementary.

These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The following is a schedule of the future minimum lease payments for the capital leases, and the present value of the future minimum lease payments at June 30, 2015:

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For The Fiscal Year Ended June 30, 2015

Fiscal Year Ending June 30	Capital Leases
2016	\$515,888
2017	72,177
Total	588,065
Less: amount representing interest	(14,190)
Present Value of Future Minimum Lease Payments	<u>\$573,875</u>

Note 11 – Operating Lease – Lessee Disclosure

On August 1, 2011 the School District entered into a two-year operating lease agreement with M.B.A. Holdings Company to continue its lease of the bus garage, with an option to renew for an additional two years. The School District elected to renew the lease for an additional two years. The future minimum annual rental payments are \$42,037 and is payable monthly at \$3,503. For fiscal year 2015, the School District’s rental costs were \$38,216.

Note 12 – Other Employee Benefits

Accumulated Unpaid Vacation

School District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave.

Accumulated Unpaid Sick Leave

School District employees may accumulate sick leave. Upon retirement, payment is made for 26.5% of the total unused sick leave balance up to a maximum of fifty days for certified and classified employees.

Note 13 – Cincinnati USA Regional Chamber Worker’s Comp Program

The School District participates in the Group Retrospective Program of the Cincinnati USA Regional Chamber, an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to cover the costs of administering the program.

Note 14 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-

Ross Local School District, Ohio
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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.

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – 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 on or 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.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 \$545,183 for fiscal year 2015. Of this amount \$100,055 is reported as accrued wages and benefits.

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.

Ross Local School District, Ohio
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For The Fiscal Year Ended June 30, 2015

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

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

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

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 \$1,370,088 for fiscal year 2015. Of this amount \$219,948 is reported as accrued wages and benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 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:

Ross Local School District, Ohio
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,523,817	\$22,533,098	\$28,056,915
Proportion of the Net Pension Liability	0.10914600%	0.09263936%	
Pension Expense	324,846	1,041,008	1,365,854

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$47,014	\$216,930	\$263,944
District contributions subsequent to the measurement date	<u>545,183</u>	<u>1,370,088</u>	<u>1,915,271</u>
Total Deferred Outflows of Resources	<u>\$592,197</u>	<u>\$1,587,018</u>	<u>\$2,179,215</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$896,531</u>	<u>\$4,168,709</u>	<u>\$5,065,240</u>

\$1,915,271 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$212,379)	(\$987,944)	(\$1,200,323)
2017	(212,379)	(987,945)	(1,200,324)
2018	(212,379)	(987,945)	(1,200,324)
2019	<u>(212,380)</u>	<u>(987,945)</u>	<u>(1,200,325)</u>
Total	<u>(\$849,517)</u>	<u>(\$3,951,779)</u>	<u>(\$4,801,296)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g.,

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mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

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Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$7,880,845	\$5,523,817	\$3,541,352

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:

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Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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:

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

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

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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	\$32,258,587	\$22,533,098	\$14,308,608

Note 15 - Post Employment Benefits

School Employees Retirement System

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, 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 \$55,703.

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$87,635, \$8,503, and \$53,587, respectively. For fiscal year 2015, 82 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 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, \$96,249, and \$105,000 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 16 – Fund Balances

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

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Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Fund Balances	General	Classroom Facilities Project	Other Governmental Funds	Total
Restricted for:				
Other Local Grants	\$0	\$0	\$2,935	\$2,935
Data Communications	0	0	33	33
Classroom Facilities Maintenance	0	0	704,030	704,030
Athletics	0	0	156,194	156,194
Auxilliary Services	0	0	69,863	69,863
Special Revenue	0	0	107,881	107,881
Straight A Grant	0	0	9,293	9,293
Debt Service	0	0	638,868	638,868
Capital Improvements	0	3,342,888	1,339,453	4,682,341
Total Restricted	0	3,342,888	3,028,550	6,371,438
Assigned to:				
Public School Support	51,210	0	0	51,210
Encumbrances	254,759	0	0	254,759
Total Assigned	305,969	0	0	305,969
Unassigned (Deficit)	7,179,414	0	(103,369)	7,076,045
Total Fund Balance	\$7,485,383	\$3,342,888	\$2,925,181	\$13,753,452

Note 17 – Jointly Governed Organizations

Southwest Ohio Computer Association

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of the member school districts. Each member school district appoints a representative to the Board of Directors which is the legislative and managerial body of SWOCA. The degree of control exercised by any participating member school district is limited to its representation on the Board.

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (BTCDS), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. BTCDS was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District.

The School District has no ongoing financial interest in or responsibility for BTCDS. To obtain financial information, write to BTCDS, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 18 – Risk Management

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, the School District contracted with commercial insurance carriers for property and general liability insurance and boiler and machinery insurance.

The School District has elected to provide employee medical and dental benefits through Butler Health Plan (BHP), a public entity risk pool currently operating as a common risk management and insurance program. BHP is comprised of sixteen other school districts in Butler and Hamilton Counties. CareSource provides claims review and processing services for BHP. The School District pays a monthly premium to the pool for its general insurance coverage. The employees share the cost of the monthly premium for the coverage with the Board. The risk of loss transfers entirely to BHP.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

Note 19 – Contingencies

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 school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 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.

Litigation

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

Federal and State Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 20 – Statutory Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on the statutory formula for the acquisition, maintenance, and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set aside amounts for capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2014	\$0	\$324,996
Current Year Set Aside Requirements	458,777	0
Current Year Qualifying Expenditures	(204,691)	0
Current Year Offsets	(254,086)	0
Set Aside Reserve Balance as of June 30, 2015	0	324,996
Carried Forward as of June 30, 2015	\$0	\$324,996

The Ohio General Assembly eliminated the requirement for the budget stabilization set-aside and effective April 10, 2001, the Board of Education could choose to eliminate the set-aside with the exception of rebates received from the Bureau of Workers Compensation. The budget stabilization set-aside is no longer required. However, the School District has opted to leave this reserve intact.

Note 21 – Significant Contractual Commitments

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The School District's outstanding encumbrance amounts at June 30, 2015 were:

Various School Improvements	\$647,913
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Note 22 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of

Ross Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$50,493,757
Adjustments:	
Net Pension Liability	(33,261,503)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,769,146</u>
Restated Net Position June 30, 2014	<u>\$19,001,400</u>

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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Ross Local School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,536,913	\$10,753,660	\$10,753,660	\$0
Revenue in lieu of taxes	195,849	199,878	199,878	0
Tuition and Fees	188,860	192,745	192,745	0
Investment Earnings	23,624	24,110	24,110	0
Intergovernmental	11,491,083	11,727,458	11,727,458	0
Extracurricular Activities	92,074	93,968	93,968	0
Charges for Services	3,091	3,155	3,155	0
Other Revenues	147,844	150,885	150,885	0
Total Revenues	22,679,338	23,145,859	23,145,859	0
Expenditures:				
Current:				
Instruction:				
Regular	11,372,422	11,739,278	11,739,278	0
Special	1,848,828	1,908,468	1,908,468	0
Other	586,713	605,639	605,639	0
Support Services:				
Pupil	1,010,482	1,043,078	1,043,078	0
Instructional Staff	333,513	344,272	344,272	0
General Administration	34,724	35,844	35,844	0
School Administration	1,681,613	1,735,859	1,735,859	0
Fiscal	658,680	679,928	679,928	0
Operations and Maintenance	1,920,898	1,982,863	1,982,863	0
Pupil Transportation	1,689,923	1,744,437	1,744,437	0
Central	31,539	32,556	32,556	0
Operation of Non-Instructional Services	201	208	208	0
Extracurricular Activities	240,256	248,006	248,006	0
Capital Outlay	18,017	18,598	18,598	0
Debt Service:				
Principal Retirement	265,050	273,600	273,600	0
Interest and Fiscal Charges	4,000	4,129	4,129	0
Total Expenditures	21,696,859	22,396,763	22,396,763	0
Excess of Revenues Over (Under) Expenditures	982,479	749,096	749,096	0
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	3,576	3,650	3,650	0
Advances In	18,902	19,291	19,291	0
Transfers In	78,114	79,721	79,721	0
Transfers (Out)	(398,964)	(411,834)	(411,834)	0
Total Other Financing Sources (Uses)	(298,372)	(309,172)	(309,172)	0
Net Change in Fund Balance	684,107	439,924	439,924	0
Fund Balance Beginning of Year, (includes prior year encumbrances appropriated)	7,800,238	7,800,238	7,800,238	0
Fund Balance - End of Year	\$8,484,345	\$8,240,162	\$8,240,162	\$0

See accompanying notes to the required supplementary information 50

Ross Local School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2015

Note 1 - Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During the course of fiscal year 2015, the District amended its budget at several times, however none were significant.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2015.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).

Ross Local School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2015

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance

	General
GAAP Basis	\$953,814
Revenue Accruals	(165,721)
Expenditure Accruals	164,328
Issuance of Debt	(210,486)
Transfers In	79,721
Transfers (Out)	(64,052)
Advances In	19,291
Encumbrances	(332,676)
Funds Budgeted Elsewhere	(4,295)
Budget Basis	\$439,924

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Ross Local School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.09263936%	0.09263936%
District's Proportionate Share of the Net Pension Liability	\$22,533,098	\$26,768,995
District's Covered-Employee Payroll	\$10,193,277	\$10,774,062
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	248.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Ross Local School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.109146%	0.109146%
District's Proportionate Share of the Net Pension Liability	\$5,523,817	\$6,492,508
District's Covered-Employee Payroll	\$3,203,608	\$3,842,428
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.42%	168.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

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

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$1,370,088	\$1,325,126	\$1,400,628	\$1,547,952	\$1,598,184
Contributions in Relation to the Contractually Required Contribution	<u>(1,370,088)</u>	<u>(1,325,126)</u>	<u>(1,400,628)</u>	<u>(1,547,952)</u>	<u>(1,598,184)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$9,786,343	\$10,193,277	\$10,774,062	\$11,907,323	\$12,293,723
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%

2010	2009	2008	2007	2006
\$1,568,832	\$1,501,128	\$1,488,540	\$1,355,040	\$1,259,304
<u>(1,568,832)</u>	<u>(1,501,128)</u>	<u>(1,488,540)</u>	<u>(1,355,040)</u>	<u>(1,259,304)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$12,067,938	\$11,547,138	\$11,450,308	\$10,423,385	\$9,686,954
13.00%	13.00%	13.00%	13.00%	13.00%

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

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$545,184	\$444,020	\$531,792	\$483,912	\$531,744
Contributions in Relation to the Contractually Required Contribution	<u>(545,184)</u>	<u>(444,020)</u>	<u>(531,792)</u>	<u>(483,912)</u>	<u>(531,744)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$4,136,449	\$3,203,608	\$3,842,428	\$3,597,859	\$4,230,263
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%

2010	2009	2008	2007	2006
\$451,344	\$434,736	\$412,020	\$386,904	\$364,476
(451,344)	(434,736)	(412,020)	(386,904)	(364,476)
\$0	\$0	\$0	\$0	\$0
\$3,333,412	\$4,418,049	\$4,195,723	\$3,656,938	\$3,448,212
13.54%	9.84%	9.82%	10.58%	10.57%

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ROSS LOCAL SCHOOL DISTRICT



Single Audit Reports

June 30, 2015

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ROSS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$23,130	\$0	\$23,130	\$0
National School Lunch Program	3L60	10.555	287,889	54,114	287,889	54,114
Total Nutrition Cluster			<u>311,019</u>	<u>54,114</u>	<u>311,019</u>	<u>54,114</u>
Total U.S. Department of Agriculture			<u>311,019</u>	<u>54,114</u>	<u>311,019</u>	<u>54,114</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	543,529	0	512,322	0
Special Education-Preschool Grants	3C50	84.173	1,448	0	1,448	0
Total Special Education Cluster			<u>544,977</u>	<u>0</u>	<u>513,770</u>	<u>0</u>
Title I Grants to Local Educational Agencies	3M00	84.010	149,112	0	164,314	0
Race to the Top - ARRA	3FD0	84.395	10,813	0	11,885	0
Improving Teacher Quality	3Y60	84.367	29,281	0	53,317	0
Total Department of Education			<u>734,183</u>	<u>0</u>	<u>743,286</u>	<u>0</u>
Total Federal Assistance			<u>\$1,045,202</u>	<u>\$54,114</u>	<u>\$1,054,305</u>	<u>\$54,114</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

To the Board of Education
Ross Local School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross Local School District (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 January 20, 2016, wherein we noted the District adopted GASB No. 68 and 71 as disclosed in Note 22.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
January 20, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education
Ross Local School District

Report on Compliance for Each Major Federal Program

We have audited the Ross Local School District (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated January 20, 2016, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB Statement No. 68 and 71 as disclosed in Note 22. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
January 20, 2016

ROSS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were the any other significant control deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list):</i>	Special Education Cluster: Grants to State - CFDA# 84.027 Preschool Grants - CFDA# 84.173 Nutrition Cluster: School Breakfast Program - CFDA# 10.553 School Lunch Program - CFDA# 10.555
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

ROSS LOCAL SCHOOL DISTRICT
June 30, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133

None Noted.

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Dave Yost • Auditor of State

ROSS LOCAL SCHOOL DISTRICT

BUTLER 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
APRIL 19, 2016**