



Dave Yost • Auditor of State



**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Adena Local School District  
Ross County  
3367 County Road 550  
Frankfort, Ohio 45628

To the Board of Education:

### ***Report on the Financial Statements***

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

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

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

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

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

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

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

### ***Opinion***

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

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 22, 2017

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**Adena Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**FINANCIAL HIGHLIGHTS**

- The School District's assets and deferred outflows exceeded its liabilities plus deferred inflows of resources at June 30, 2016 by \$6,902,280.
- The School District's net position of governmental activities decreased \$22,291.
- General revenues accounted for \$10,845,247 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$2,642,674 or 20 percent of total revenues of \$13,487,921.
- The School District had \$13,510,212 in expenses related to governmental activities; \$2,642,674 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Adena Local School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's 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 the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other Non-Major funds presented in total in one column.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The analysis of the School District as a whole begins with the Statement of Net Position and the Statement of Activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

**Adena Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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In the Statement of Net Position and the Statement of Activities, the School District has only one kind of activity.

- **Governmental Activities.** All of the School District's programs and services (except for fiduciary Funds) are reported here including instruction and support services.

## **REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The analysis of the School District's funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major funds are the General Fund and the Classroom Facilities Fund.

**Governmental Funds.** Most of the School 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 the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Fund.** Proprietary fund reporting focuses on the determination of operating revenues over (under) operating expenses and changes in net position. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for the activity where School District self insures a portion of the employees' vision and dental coverage. This fund is reported using the accrual basis of accounting.

**Fiduciary Funds.** The School District's fiduciary funds include a private purpose trust fund and an agency fund. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**Adena Local School District**  
*Management's Discussion and Analysis*  
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**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

Table 1  
Net Position

	2016	2015
Assets:		
Current and Other Assets	\$ 8,682,548	\$ 8,892,330
Capital Assets, Net	20,155,774	21,182,450
Total Assets	28,838,322	30,074,780
Deferred Outflows of Resources:		
Pensions	1,761,463	1,007,364
Total Deferred Outflows of Resources	1,761,463	1,007,364
Liabilities:		
Current and Other Liabilities	2,256,004	2,812,948
Long-Term Liabilities:		
Due Within One Year	319,917	298,160
Due in More than One Year:		
Net Pension Liabilities	15,358,698	13,584,931
Other Amounts	2,491,635	2,705,365
Total Liabilities	20,426,254	19,401,404
Deferred Inflows of Resources		
Pensions	1,273,604	2,528,668
Property Taxes not Levied to Finance the Current Year	1,997,647	2,227,501
Total Deferred Inflows of Resources	3,271,251	4,756,169
Net Position:		
Net Investment in Capital Assets	17,794,476	18,721,215
Restricted	782,686	560,321
Unrestricted	(11,674,882)	(12,356,965)
Total Net Position	\$ 6,902,280	\$ 6,924,571

Many end users of this financial statement will gain a clearer understanding of the School 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. 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 standards required by GASB 68, the net pension liability equals the School 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

**Adena Local School District**  
*Management's Discussion and Analysis*  
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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 School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the School 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.

Total net position of the School District as a whole decreased \$22,291. The decrease to current and other assets is primarily due to the decrease in notes receivable. Capital assets, net decreased due to current year depreciation, which was partially offset by current year additions. Deferred outflows of resources increased due primarily to pension.

Current liabilities decreased primarily due to decreases in intergovernmental payable, which corresponds with the decrease in notes receivable. Long-term liabilities increased primarily due to the increase in net pension liabilities, which was partially offset by principal payments on debt obligations. The net pension liability increased from 2015 to 2016 due to actuarial calculations which the School District cannot control. Deferred inflows of resources decreased due to pension activity.

**Adena Local School District**  
*Management's Discussion and Analysis*  
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Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

Table 2  
Change in Net Position

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 1,105,251	\$ 1,138,501
Operating Grants and Contributions	1,537,423	1,526,540
Total Program Revenues	<u>2,642,674</u>	<u>2,665,041</u>
General Revenues:		
Property and Other Local Taxes	2,756,584	2,517,855
Grants and Entitlements		
Not Restricted to Specific Programs	7,914,217	6,887,969
Grants and Entitlements Restricted for Classroom Facilities	51,403	147,000
Gifts and Donations		
Not Restricted to Specific Programs	70,587	5,592
Investment Earnings	11,982	5,600
Miscellaneous	40,474	55,543
Total General Revenues	<u>10,845,247</u>	<u>9,619,559</u>
Total Revenues	<u>13,487,921</u>	<u>12,284,600</u>
<b>Program Expenses</b>		
Instruction:		
Regular	6,124,720	5,771,185
Special	1,641,339	1,605,408
Vocational	71,621	69,062
Other	824,626	796,838
Support Services:		
Pupils	451,426	474,418
Instructional Staff	195,477	331,024
Board of Education	96,638	65,097
Administration	931,225	917,111
Fiscal	357,475	325,163
Operation and Maintenance of Plant	1,021,789	916,150
Pupil Transportation	785,837	926,334
Central	177,661	187,640
Operation of Non-Instructional Services	457,936	510,378
Extracurricular Activities	279,352	358,104
Interest and Fiscal Charges	93,090	104,886
Total Expenses	<u>13,510,212</u>	<u>13,358,798</u>
Change in Net Position	(22,291)	(1,074,198)
Net Position at Beginning of Year	<u>6,924,571</u>	<u>7,998,769</u>
Net Position at End of Year	<u>\$ 6,902,280</u>	<u>\$ 6,924,571</u>

**Adena Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**Governmental Activities**

Grants and entitlements not restricted to specific programs comprised 59 percent of revenue for governmental activities and tax revenue comprised 20 percent, while operating grants and contributions comprised 11 percent of revenue for governmental activities of the School District for fiscal year 2016. The increase in grants and entitlements not restricted to specific programs is due to an increase in overall foundation monies received by the School District in 2016. The decrease to grants and entitlements restricted for classroom facilities is due to less classroom facilities monies received during the current year as compared to the prior year.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 45 percent of governmental program expenses with Special Instruction comprising 12 percent of governmental expenses. The increase in regular instruction is due to a decrease in accruals for intergovernmental payables which occurred in the prior year. The decrease in instructional staff is due to coding changes for amounts paid to the education service center.

The Statement of Activities shows the cost of program services and the charges for services and sales and operating and capital grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3  
 Total and Net Cost of Program Services  
 Governmental Activities

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,662,306	\$ 7,109,848	\$ 8,242,493	\$ 6,746,385
Support Services	4,017,528	3,656,162	4,142,937	3,707,384
Operation of Non-Instructional Services	457,936	(58,383)	510,378	10,676
Extracurricular Activities	279,352	67,520	358,104	125,174
Interest and Fiscal Charges	93,090	92,391	104,886	104,138
Total Expenses	<u>\$ 13,510,212</u>	<u>\$ 10,867,538</u>	<u>\$ 13,358,798</u>	<u>\$ 10,693,757</u>

**Adena Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**THE SCHOOL DISTRICT'S FUNDS**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,628,196 and expenditures and other financing uses of \$13,031,793. The net change in fund balance for the year was most significant in the General Fund. The increase of \$606,313 was primarily a result of increased intergovernmental revenue received through the foundation settlements.

The fund balance of the Classroom Facilities Fund decreased by \$50,000. The decrease in fund balance is due to the School District's expenditures exceeding revenues.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2016, there were revisions to the General Fund budget. For the General Fund, the final budget basis revenue was \$11,755,819, which was \$275,251 above the original estimate amount of \$11,480,568. Differences between the original and final budgeted revenues are due to higher than expected intergovernmental revenue received. The School District's final budgeted appropriations were \$11,996,019, which was \$105,489 below the original estimate of \$12,101,508 and \$320,937 above actual budgetary expenditures. Differences between final budgeted appropriations and actual expenditures are due to lower than expected regular and special instruction, pupil transportation, and other uses of funds.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2016, the School District had \$20,155,774 invested in its capital assets. Table 4 shows the fiscal year 2016 balances compared to 2015.

Table 4  
 Capital Assets  
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2016	2015
Land	\$ 677,044	\$ 677,044
Land Improvements	810,253	936,472
Buildings and Improvements	17,861,043	18,612,126
Furniture, Fixtures, Equipment and Textbooks	607,608	705,659
Vehicles	199,826	251,149
Totals	\$ 20,155,774	\$ 21,182,450

Changes in capital assets from the prior year resulted from current year additions as well as disposals and depreciation expense. See Note 8 to the basic financial statements for more detailed information related to capital assets.

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*Management's Discussion and Analysis*  
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*Unaudited*

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**Debt**

At June 30, 2016, the School District had \$1,085,000 in bonds outstanding, (excluding unamortized premiums) of which \$160,000 is due within one year. The School District also had capital lease obligations outstanding of \$1,083,810, of which \$116,196 is due within one year. Table 5 summarizes the debt outstanding:

Table 5  
 Outstanding Debt at Year End  
 Governmental Activities

	2016	2015
General Obligation Bonds:		
1999 School Improvement Bonds	\$ -	\$ 150,000
2006 School Improvement Refunding Bonds	1,085,000	1,085,000
Premium on Refunding Bonds	12,933	15,521
Capital Leases	1,083,810	1,192,750
Total	\$ 2,181,743	\$ 2,443,271

See Note 14 to the basic financial statements for more detailed information related to the School District's debt and long term obligations.

**CURRENT ISSUES**

The Adena Local School District is currently benefitting from additional state funding due to the new biennial state budget. For the past several fiscal years, expenditures have exceeded revenues. However, for fiscal year 2016 revenues exceeded expenditures. The Adena Local Board of Education is continually searching for ways to minimize spending. All expenditures, including personnel costs, are strictly scrutinized so as not to deplete the carryover funds as quickly. The Adena Local Board of Education will continue to monitor the school's financial status to consider the need for potential levies.

The Adena Local Board of Education is dedicated to providing a quality education for our students and stabilizing the financial future for our School District. Our School District has taken a proactive approach by developing a school improvement plan. This plan addresses student and staff needs that assist our School District in becoming a School District of excellence. This quality education is exhibited by our consistent above average rating by the Ohio Department of Education.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shaune Anders, Treasurer, Adena Local School District, 3367 County Road 550, Frankfort, Ohio 45628, or email at sanders@mail.gsn.k12.oh.us.



**Adena Local School District**  
*Statement of Net Position*  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,654,386
Cash and Cash Equivalents with Escrow Agents	1,399
Accounts Receivable	2,061
Intergovernmental Receivable	150,829
Taxes Receivable	2,582,036
Notes Receivable	1,064,484
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	227,353
Noncurrent Assets:	
Nondepreciable Capital Assets	677,044
Depreciable Capital Assets, Net	19,478,730
<i>Total Assets</i>	28,838,322
<b>Deferred Outflows of Resources</b>	
Pension:	
State Teachers Retirement System	1,216,267
School Employees Retirement System	545,196
<i>Total Deferred Outflows of Resources</i>	1,761,463
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	4,308
Accrued Wages and Benefits Payable	828,157
Intergovernmental Payable	1,232,710
Accrued Interest Payable	4,728
Matured Compensated Absences Payable	1,118
Retainage Payable	179,555
Claims Payable	5,428
Noncurrent Liabilities:	
Due Within One Year	319,917
Due in More Than One Year	
Net Pension Liability (See Note 10)	15,358,698
Other Amounts Due in More Than One Year	2,491,635
<i>Total Liabilities</i>	20,426,254
<b>Deferred Inflows of Resources</b>	
Pensions:	
State Teachers Retirement System	1,199,476
School Employees Retirement System	74,128
Property Taxes not Levied to Finance Current Year Operations	1,997,647
<i>Total Deferred Inflows of Resources</i>	3,271,251
<b>Net Position</b>	
Net Investment in Capital Assets	17,794,476
Restricted for:	
Debt Service	309,905
Capital Outlay	194,296
Set-Asides	47,798
Other Purposes	230,687
Unrestricted	(11,674,882)
<i>Total Net Position</i>	\$ 6,902,280

See accompanying notes to the basic financial statements.

**Adena Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 6,124,720	\$ 366,544	\$ 73,102	\$ (5,685,074)
Special	1,641,339	76,504	966,418	(598,417)
Vocational	71,621	4,872	4,524	(62,225)
Other	824,626	60,494	-	(764,132)
<b>Support Services:</b>				
Pupils	451,426	32,881	981	(417,564)
Instructional Staff	195,477	13,913	-	(181,564)
Board of Education	96,638	7,089	-	(89,549)
Administration	931,225	68,139	-	(863,086)
Fiscal	357,475	25,811	677	(330,987)
Operation and Maintenance of Plant	1,021,789	64,355	70,111	(887,323)
Pupil Transportation	785,837	51,986	12,355	(721,496)
Central	177,661	13,030	38	(164,593)
Operation of Non-Instructional Services	457,936	181,227	335,092	58,383
Extracurricular Activities	279,352	137,707	74,125	(67,520)
Interest and Fiscal Charges	93,090	699	-	(92,391)
<b>Total Governmental Activities</b>	<u>\$ 13,510,212</u>	<u>\$ 1,105,251</u>	<u>\$ 1,537,423</u>	<u>(10,867,538)</u>
<b>General Revenues:</b>				
Property Taxes Levied for:				
General Purposes				2,489,412
Building Maintenance				39,475
Debt Service				192,531
Income Tax				35,166
Grants and Entitlements not Restricted to Specific Programs				7,914,217
Grants and Entitlements Restricted for Classroom Facilities				51,403
Gifts and Donations not Restricted to Specific Programs				70,587
Investment Earnings				11,982
Miscellaneous				40,474
<b>Total General Revenues</b>				<u>10,845,247</u>
Change in Net Position				(22,291)
<b>Net Position Beginning of Year</b>				<u>6,924,571</u>
<b>Net Position End of Year</b>				<u>\$ 6,902,280</u>

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2016*

	General	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,746,987	\$ 8,655	\$ 472,825	\$ 4,228,467
Cash and Cash Equivalents with Escrow Agents	-	-	1,399	1,399
Accounts Receivable	1,269	-	792	2,061
Interfund Receivable	32,707	-	-	32,707
Intergovernmental Receivable	39,110	-	111,719	150,829
Taxes Receivable	2,365,293	-	216,743	2,582,036
Notes Receivable	-	1,064,484	-	1,064,484
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	47,798	179,555	-	227,353
<i>Total Assets</i>	<u>\$ 6,233,164</u>	<u>\$ 1,252,694</u>	<u>\$ 803,478</u>	<u>\$ 8,289,336</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 4,280	\$ -	\$ 28	\$ 4,308
Accrued Wages and Benefits	727,752	-	100,405	828,157
Interfund Payable	-	-	32,707	32,707
Intergovernmental Payable	145,306	1,064,484	22,920	1,232,710
Matured Compensated Absences Payable	1,118	-	-	1,118
Retainage Payable	-	179,555	-	179,555
<i>Total Liabilities</i>	<u>878,456</u>	<u>1,244,039</u>	<u>156,060</u>	<u>2,278,555</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Property Taxes not Levied to Finance Current Year Operations	1,828,585	-	169,062	1,997,647
Unavailable Revenue - Delinquent Taxes	55,256	-	5,248	60,504
Unavailable Revenue - Charges for Services	1,269	-	-	1,269
Unavailable Revenue - Grants	-	-	108,471	108,471
<i>Total Deferred Inflows of Resources</i>	<u>1,885,110</u>	<u>-</u>	<u>282,781</u>	<u>2,167,891</u>
<b>FUND BALANCES:</b>				
Restricted	47,798	8,655	466,104	522,557
Committed	118,808	-	-	118,808
Assigned	425,194	-	-	425,194
Unassigned (Deficit)	2,877,798	-	(101,467)	2,776,331
<i>Total Fund Balances</i>	<u>3,469,598</u>	<u>8,655</u>	<u>364,637</u>	<u>3,842,890</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 6,233,164</u>	<u>\$ 1,252,694</u>	<u>\$ 803,478</u>	<u>\$ 8,289,336</u>

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2016*

<b>Total Governmental Fund Balances</b>		\$ 3,842,890
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.		20,155,774
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		
Taxes	60,504	
Intergovernmental	108,471	
Charges for Services	<u>1,269</u>	
Total		170,244
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	1,761,463	
Deferred inflows of resources related to pensions	(1,273,604)	
Net Pension Liability	<u>(15,358,698)</u>	(14,870,839)
Total		
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		420,491
Long-term liabilities, including bonds, interest payable, capital lease obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(629,809)	
Interest Payable	(4,728)	
Capital Lease Obligations	(1,083,810)	
Premium on Refunding Bonds Issued	(12,933)	
Bonds Payable	<u>(1,085,000)</u>	
Total		<u>(2,816,280)</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 6,902,280</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property and Other Taxes	\$ 2,529,945	\$ -	\$ 232,425	\$ 2,762,370
Intergovernmental	8,437,720	-	1,039,669	9,477,389
Interest	11,410	572	-	11,982
Tuition and Fees	710,264	-	-	710,264
Extracurricular Activities	89,828	-	124,923	214,751
Gifts and Donations	70,587	-	2,727	73,314
Customer Sales and Services	80	-	179,936	180,016
Miscellaneous	36,762	-	3,712	40,474
<i>Total Revenues</i>	<u>11,886,596</u>	<u>572</u>	<u>1,583,392</u>	<u>13,470,560</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	5,060,277	-	92,470	5,152,747
Special	1,088,224	-	587,603	1,675,827
Vocational	68,780	-	-	68,780
Other	827,273	-	-	827,273
<b>Support Services:</b>				
Pupils	456,461	-	1,241	457,702
Instructional Staff	195,061	-	-	195,061
Board of Education	96,637	-	-	96,637
Administration	951,408	-	-	951,408
Fiscal	346,242	-	5,022	351,264
Operation and Maintenance of Plant	878,080	6,045	88,728	972,853
Pupil Transportation	709,747	-	15,636	725,383
Central	194,550	-	48	194,598
Operation of Non-Instructional Services	17,532	-	425,017	442,549
Extracurricular Activities	177,074	-	93,808	270,882
Capital Outlay	26,838	44,527	64,425	135,790
<b>Debt Service:</b>				
Principal	18,940	-	240,000	258,940
Interest	9,523	-	86,940	96,463
<i>Total Expenditures</i>	<u>11,122,647</u>	<u>50,572</u>	<u>1,700,938</u>	<u>12,874,157</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>763,949</u>	<u>(50,000)</u>	<u>(117,546)</u>	<u>596,403</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers In	-	-	157,636	157,636
Transfers Out	(157,636)	-	-	(157,636)
<i>Total Other Financing Sources and (Uses)</i>	<u>(157,636)</u>	<u>-</u>	<u>157,636</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	606,313	(50,000)	40,090	596,403
<i>Fund Balances at Beginning of Year</i>	<u>2,863,285</u>	<u>58,655</u>	<u>324,547</u>	<u>3,246,487</u>
<i>Fund Balances at End of Year</i>	<u>\$ 3,469,598</u>	<u>\$ 8,655</u>	<u>\$ 364,637</u>	<u>\$ 3,842,890</u>

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

**Net Change in Fund Balances - Total Governmental Funds** \$ 596,403

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

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

Capital Asset Additions	135,790	
Current Year Depreciation	(1,162,466)	
Total	(1,026,676)	(1,026,676)

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

Taxes	(5,786)	
Intergovernmental	22,927	
Charges for Services	220	
Total	17,361	17,361

The amortization of premiums on the issuance of debt are not recorded in the governmental funds but are recorded as interest expense on the statement of activities. 2,588

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 150,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 108,940

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 875,653

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (640,257)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (37,533)

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.

Increase in Compensated Absences	(69,555)	
Decrease in Accrued Interest Payable	785	
Total	(68,770)	(68,770)

**Net Change in Net Position of Governmental Activities** **\$ (22,291)**

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual (Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 11,480,568	\$ 11,755,819	\$ 11,755,819	\$ -
Total Expenditures and Other Financing Uses	12,101,508	11,996,019	11,675,082	320,937
Net Change in Fund Balance	(620,940)	(240,200)	80,737	320,937
Fund Balance at Beginning of Year	3,209,990	3,209,990	3,209,990	-
Prior Year Encumbrances Appropriated	173,258	173,258	173,258	-
Fund Balance at End of Year	<u>\$ 2,762,308</u>	<u>\$ 3,143,048</u>	<u>\$ 3,463,985</u>	<u>\$ 320,937</u>

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Statement of Fund Net Position*  
*Governmental Activities - Internal Service Fund*  
*June 30, 2016*

	<u>Internal Service</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 425,919</u>
<i>Total Assets</i>	<u>425,919</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Claims Payable	<u>5,428</u>
<i>Total Liabilities</i>	<u>5,428</u>
<b>NET POSITION:</b>	
Unrestricted	<u>420,491</u>
<i>Total Net Position</i>	<u><u>\$ 420,491</u></u>

The notes to the basic financial statements are an integral part of this statement.



**Adena Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Governmental Activities - Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2016*

	<u>Internal Service</u>
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 53,864
<i>Total Operating Revenues</i>	<u>53,864</u>
<b>OPERATING EXPENSES:</b>	
Purchased Services	4,166
Claims	87,231
<i>Total Operating Expenses</i>	<u>91,397</u>
<i>Changes in Net Position</i>	(37,533)
<i>Net Position at Beginning of Year</i>	<u>458,024</u>
<i>Net Position at End of Year</i>	<u>\$ 420,491</u>

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Statement of Cash Flows*  
*Governmental Activities - Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2016*

	<u>Internal Service</u>
<b><i>Decrease in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Interfund Services Provided and Used	\$ 53,864
Cash Payments for Claims	(103,790)
Cash Payments for Purchased Services	<u>(4,166)</u>
<i>Net Cash Used for Operating Activities</i>	(54,092)
Cash and Cash Equivalents at Beginning of Year	<u>480,011</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 425,919</u></u>
<b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>	
Operating Loss	\$ (37,533)
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	<u>(16,559)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (54,092)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2016*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,000</u>	<u>\$ 18,150</u>
<b>LIABILITIES:</b>		
Undistributed Monies	<u>-</u>	<u>\$ 18,150</u>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	<u>3,000</u>	
Total Net Position	<u>\$ 3,000</u>	

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	<u>\$ 4,000</u>
Total Additions	4,000
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>3,250</u>
Change in Net Position	750
Net Position Beginning of Year	<u>2,250</u>
Net Position End of Year	<u><u>\$ 3,000</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

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

The School District was established in 1965 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 123 square miles. It is located in Ross County, and includes all of the Villages of Clarksburg and Frankfort, and portions of Concord, Deerfield, and Union Townships. It is staffed by 48 non-certificated employees, 84 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,206 students and other community members. The School District currently operates two instructional buildings.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Adena Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is 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. The School District has no component units.

The School District participates in six organizations, three of which are defined as jointly governed organizations, and two as insurance purchasing pools, and one as a public entity shared risk servicing pool. These organizations are the South Central Ohio Computer Association Council of Governments, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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

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

***A. Basis of Presentation***

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

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

***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 the financial activities of the primary government, except for the fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid “doubling up” revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are classified as business-type, however, the School District has no activities that are classified as business-type.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

***B. Fund Accounting***

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

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

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

***Classroom Facilities Fund*** The Classroom Facilities Fund is a fund provided to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities. The main source of revenue for the Classroom Facilities is grant monies received from the Ohio School Facilities Commission.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee dental insurance. In the statement of activities internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred inflows and outflows of resources related to net pension liabilities, and the recording of net pension liabilities.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, certain grants, and charges for services and sales.

***Deferred Outflows and Deferred Inflows of Resources*** Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for pensions. The deferred outflows of resources related to the pension are explained in Note 10. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes, charges for services and grants which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes, charges for services and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are only reported on the Statement of Net Position. (See Note 10)

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

***E. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.



**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

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

***F. Cash and Cash Equivalents***

To improve cash management, all 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 Cash Equivalents" on the financial statements.

During fiscal year 2016 the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, Classroom Facilities Fund and all other governmental funds during fiscal year 2016 amounted to \$11,410, \$572 and \$0, respectively.

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

***G. Capital Assets***

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. 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.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

Description	Estimated Lives
Land Improvements	7-30 years
Buildings and Improvements	50 years
Furniture, Fixtures, Equipment, and Textbooks	5 – 20 years
Vehicles	7-8 years

***H. Interfund Balances***

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

***I. 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 School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid.

***J. Accrued Liabilities and Long-term Obligations***

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

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

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

***K. Net Position***

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net position include various grants and other resources restricted for various purposes. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's restricted net position, none are restricted by enabling legislation.

***L. Operating Revenues and Expenses***

Operating revenues are those revenues that are generating directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for high deductibles for healthcare provided to employees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

***M. 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 and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities.

***N. Estimates***

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

***O. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for capital improvements and cash held as retainage for contractors. See Note 15 for additional information regarding set-asides.

***P. Fund Balance***

Fund balance is divided into five classifications 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 classifications are as follows:

***Nonspendable*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

***Q. Note Receivable***

The District and the Ohio School Facility Commission (OSFC) entered into a settlement agreement with a contractor due to issues related to a construction project. Certain issues have occurred requiring the District and OSFC to expend additional monies to correct such issues and the settlement agreement allows the District and OSFC to effectively correct the construction issues through the receipt of a \$2,000,000 lump sum payment which was received by the District in fiscal year 2013. The contractor also signed a promissory note to pay the District and OSFC \$2,000,000 over a sixty month period at a 2.5% per annum interest rate. The monthly payments are \$35,494.72 and started effective January 2, 2014 and will continue for a sixty month period. The District endorses the checks and remits the check to OSFC for deposit into OSFC's account. The District has recorded the principal portion of the note receivable as a note receivable and corresponding intergovernmental payable on the Statement of Net Position and the Balance sheet because the District will not generate any revenues as a result of this transaction. OSFC has provided intergovernmental revenues which combined with the settlement payment should provide sufficient monies to complete the correction of the construction issues.

***R. Pensions***

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

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 3 – ACCOUNTABILITY**

At June 30, 2016, the Lunchroom Fund, Title VI-B, Title I, Title VI-R and Miscellaneous Federal Grant Funds had deficit fund balances of \$31,643, \$22,613, \$26,358, \$7,407, and \$837 respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are that:

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 (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$ 606,313
Revenue Accruals	7,341
Expenditure Accruals	(336,292)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(5,608)
Encumbrances	<u>(191,017)</u>
Budget Basis	<u><u>\$ 80,737</u></u>

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or 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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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 monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2016, the School District’s bank balance of \$2,700,410 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

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

	<u>Market Value</u>	<u>Weighted Average Maturity (Yrs.)</u>
STAROhio	\$ 2,356,508	< 1 yr

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District’s recurring fair value measurements as of June 30, 2016. As discussed further in Note 2E, STAR Ohio is reported at its share price.

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits its investments to STAROhio. Investments in STAROhio were rated AAAM by Standard & Poor’s. The School District’s policy does not address credit risk beyond the requirements of the Ohio Revised Code.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District’s investment policy allows investments in STAROhio, repurchase agreements, certificates of deposit or investments with financial institutions within the State of Ohio as designated by the Federal Reserve Board. The policy places no limit on how much can be invested in a single issuer. The School District has invested 100% of its investments in STAROhio.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, 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. All of the School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District’s policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014 were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

	2015 First-Half Collections		2016 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 121,757,150	96.46%	\$ 122,223,250	96.47%
Public Utility	4,474,880	3.54%	4,473,340	3.53%
Total Assessed Value	\$ 126,232,030	100.00%	\$ 126,696,590	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$ 35.90		 \$ 35.90	



**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

The School District receives property taxes from Ross County. The Ross County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2016. 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 year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2016 was \$225,655 in the General Fund and \$21,486 in all other governmental funds and is recognized as revenue.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of taxes, accounts, notes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Major Fund:</i>	
General	\$39,110
<i>Non-Major Special Revenue Funds:</i>	
Lunchroom	1,663
Early Childhood	15,503
Title VI-B	21,557
Title I	35,570
Title VI-R	10,282
Miscellaneous Federal Grants	<u>27,144</u>
Total Non-Major	<u>111,719</u>
Total Intergovernmental Receivables	<u>\$150,829</u>

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**NOTE 8 - CAPITAL ASSETS**

A summary of the changes in general capital assets during fiscal year 2016 follows:

	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$ 677,044	\$ -	\$ -	\$ 677,044
Total Capital Assets not being Depreciated	<u>677,044</u>	<u>-</u>	<u>-</u>	<u>677,044</u>
Depreciable Capital Assets:				
Land Improvements	2,944,210	7,095	-	2,951,305
Buildings and Improvements	27,760,630	81,886	-	27,842,516
Furniture, Fixtures, Equipment and Textbooks	3,539,789	46,809	(633)	3,585,965
Vehicles	1,376,992	-	-	1,376,992
Total Capital Assets being Depreciated	<u>35,621,621</u>	<u>135,790</u>	<u>(633)</u>	<u>35,756,778</u>
Less Accumulated Depreciation				
Land Improvements	(2,007,738)	(133,314)	-	(2,141,052)
Buildings and Improvements	(9,148,504)	(832,969)	-	(9,981,473)
Furniture, Fixtures, Equipment and Textbooks	(2,834,130)	(144,860)	633	(2,978,357)
Vehicles	(1,125,843)	(51,323)	-	(1,177,166)
Total Accumulated Depreciation	<u>(15,116,215)</u>	<u>(1,162,466)</u>	<u>633</u>	<u>(16,278,048)</u>
Total Capital Assets being Depreciated, Net	<u>20,505,406</u>	<u>(1,026,676)</u>	<u>-</u>	<u>19,478,730</u>
Capital Assets, Net	<u>\$ 21,182,450</u>	<u>\$ (1,026,676)</u>	<u>\$ -</u>	<u>\$ 20,155,774</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,009,520
Special	2,297
Vocational	5,204
Support Services:	
Pupils	1,960
Instructional Staff	5,825
Administration	2,386
Fiscal	613
Operation and Maintenance of Plant	45,564
Pupil Transportation	61,556
Extracurricular Activities	16,268
Operation of Non-Instructional Services	<u>11,273</u>
Total Depreciation Expense	<u>\$1,162,466</u>

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 9 - 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 fiscal year 2016, the School District contracted with Liberty Mutual Insurance for property and fleet insurance. Insurance coverage provided is as follows:

Building and Contents - replacement cost (\$2,500 deductible)	\$ 42,897,478
Uninsured motorist – Bodily Injury Liability	1,000,000

During fiscal year 2016, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 17).

General Liability:

Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit	\$ 3,000,000
Personal and Advertising Injury - Each Offense Limit	3,000,000
General Aggregate Limit	5,000,000
Products - Completed Operations Limit	3,000,000
Employee Benefits Liability Endorsement:	
Employee Benefits Injury - Each Offense Limit	3,000,000
Employee Benefits Injury - Aggregate Limit	5,000,000
Employer's Liability and Stop Gap Endorsement:	
Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000
Education Legal Liability Coverage (\$2,500 deductible):	
Errors and Omissions Injury Limit	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District evaluated its insurance coverages and modified as necessary for the current fiscal year.

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

The School District is a member of the Ross County Insurance Consortium, a public entity shared risk pool (Note 17), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the Ross County Insurance Consortium as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 9 - RISK MANAGEMENT** (Continued)

The School District is self-insured for dental insurance through Professional Risk Management, a Meritain Health Company. The claims liability of \$5,428 reported in the Internal Service Fund at June 30, 2016 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Premiums are paid from the same funds that pay the employees’ salaries.

Changes in claims activity for the past two fiscal years follow:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claim Payments</u>	<u>Balance at</u> <u>End of Year</u>
2015	16,902	216,546	211,461	21,987
2016	21,987	87,231	103,790	5,428

**NOTE 10 - 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 School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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 *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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.

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

The School District’s contractually required contribution to SERS was \$231,226 for fiscal year 2016. Of this amount \$12,463 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Plan Description - State Teachers Retirement System (STRS) (continued)**

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 is 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 year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

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

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

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

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. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

The School District's contractually required contribution to STRS Ohio was \$644,427 for fiscal year 2016. Of this amount \$114,568 is reported as an intergovernmental payable.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension liability reported as of June 30, 2016 was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,169,908	\$12,188,790	\$15,358,698
Proportion of the Net Pension Liability	0.05555300%	0.04410304%	
Pension Expense	\$232,081	\$408,176	\$640,257

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

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$49,426	\$555,655	\$605,081
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	236,765	0	236,765
School District contributions subsequent to the measurement date	259,005	660,612	919,617
<b>Total</b>	<u>\$545,196</u>	<u>\$1,216,267</u>	<u>\$1,761,463</u>

<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$74,128	\$876,604	\$950,732
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	0	322,872	322,872
<b>Total</b>	<u>\$74,128</u>	<u>\$1,199,476</u>	<u>\$1,273,604</u>

\$919,617 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$47,531	(\$283,129)	(\$235,598)
2018	47,531	(283,129)	(235,598)
2019	47,312	(283,130)	(235,818)
2020	69,689	205,567	275,256
<b>Total</b>	<u>\$212,063</u>	<u>(\$643,821)</u>	<u>(\$431,758)</u>

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.25 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.



**Adena Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – SERS (continued)**

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

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 Estate	10.00	5.00
Hedge Funds	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**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 School 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%)
School District's proportionate share of the net pension liability	\$4,395,523	\$3,169,908	\$2,137,839

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

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – STRS (continued)**

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School 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 School 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%)
School District's proportionate share of the net pension liability	\$16,931,149	\$12,188,790	\$8,178,419

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, none of the School District's members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. At June 30, 2016, 2015, and 2014, the health care allocations were 0 percent, 0.82 percent, and 0.14 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System (continued)**

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$27,088, \$13,674, and \$27,791, respectively; which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employer/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the 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 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$46,953, respectively, which equaled the required contributions each year.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: Employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments up to 55 days.

**B. Life Insurance**

The School District provides life insurance to most employees through American United Life.

**C. Deferred Compensation**

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

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE**

During the 2014 fiscal year, the School District entered into a lease for copiers. During the 2011 fiscal year, the School District entered into a lease for the installation, construction, and repair of energy conservation equipment. Each lease meets the criteria of a capital lease as defined by the Accounting Principles Generally Accepted in the United States of America, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

For the leased assets related to the governmental funds, capital assets acquired by lease have been capitalized in the government-wide financial statements in an amount of \$1,512,479. This amount represents the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide financial statements. The leases are paid from the General Fund and the Debt Service Fund. Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	
2017	\$ 191,994
2018	185,230
2019	178,466
2020	150,432
2021	140,940
2022-2026	619,874
Total Minimum Lease Payments	1,466,936
Less: Amounts Representing Interest	(383,126)
Present Value of Minimum Lease Payments	\$1,083,810

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 06/30/2015	Additions	Deductions	Amount Outstanding 06/30/2016	Amount Due Within One Year
<u>General Obligation Bonds:</u>					
1999 School Improvement Bonds 5.36%	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -
2006 School Improvement					
Refunding Bonds - 5.50%	1,085,000	-	-	1,085,000	160,000
Premium on Refunding Bonds	15,521	-	2,588	12,933	-
<u>Net Pension Liability:</u>					
STRS	11,027,282	1,161,508	-	12,188,790	-
SERS	2,557,649	612,259	-	3,169,908	-
<u>Other Long-Term Obligations:</u>					
Capital Leases Payable	1,192,750	-	108,940	1,083,810	116,196
Compensated Absences Payable	560,254	783,553	713,998	629,809	43,721
Total Long-Term Obligations	\$ 16,588,456	\$ 2,557,320	\$ 975,526	\$ 18,170,250	\$ 319,917

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

1999 School Improvement Bonds – On August 1, 1999, the School District issued \$2,878,000 in voted general obligation bonds for the purpose of the construction of a new education complex. The bonds were issued for a twenty-two year period with an original final maturity at December 1, 2021. Due to the refunding in 2006 (as noted in the following paragraph) the final bond payment was made during 2016.

During 2006, the School District issued \$1,085,000 of general obligation school improvement refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,110,000 of general obligation bonds which constitutes a portion of the 1999 general obligation school improvement bonds. As a result, the outstanding principal of \$1,110,000 of the advance refunded debt was considered to be defeased and the liability was removed from the governmental activities column of the statement of net position. The \$1,110,000 of defeased debt was paid off in December of 2009. The refunding bonds will be repaid from the Debt Service Fund.

Compensated absences will be paid from the Termination of Benefits Special Revenue Fund. Capital leases are being paid from the General Fund and the Debt Service Fund.

The School District’s overall legal debt margin was \$10,317,693 with an unvoted debt margin of \$126,697 at June 30, 2016.

Principal and interest requirements to retire the bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	School Improvement Refunding Bonds		Total
	Principal	Interest	
2017	\$ 160,000	\$ 55,275	\$ 215,275
2018	165,000	46,338	211,338
2019	175,000	36,988	211,988
2020	185,000	27,088	212,088
2021	195,000	16,638	211,638
2022	205,000	5,638	210,638
	\$ 1,085,000	\$ 187,965	\$ 1,272,965

**NOTE 15 – SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General fund, an amount based on a statutory formula for the acquisition 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 improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2015	\$ 21,570
Current Year Set-aside Requirement	208,127
Current Year Offsets	(87,805)
Current Year Disbursements	(94,094)
Set-aside Reserve Balance as of June 30, 2016	\$ 47,798

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

**South Central Ohio Computer Association Council of Governments**

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, 2 private schools and public libraries from 23 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA COG \$85,320 for services provided during the fiscal year. Financial information can be obtained from their office located at Pike County Career Technology Center, P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**Pickaway-Ross County Career and Technology Center**

The Pickaway-Ross County Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The Center provides vocational instruction to students in both Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Ben Van Horn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

**Great Seal Education Network of Tomorrow**

The Great Seal Education Network of Tomorrow is a regional council of governments (the “Council”) consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

**NOTE 17 –INSURANCE PURCHASING POOLS**

**Ohio School Boards Association Workers’ Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP’s business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Schuett Insurance Agency, Inc., and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. is the sales and market representative, which establishes agreements between OSP and member schools.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 17 – INSURANCE PURCHASING POOLS (Continued)**

**Ross County School Employees Insurance Consortium**

The Ross County School Employees Insurance Consortium (the “Consortium”), a shared risk pool, currently operates to provide medical and dental insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members’ employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium.

Accordingly, the Ross County School Employees Insurance Consortium is not part of the School District and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

**NOTE 18 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds and for paying the H.B. 264 Debt. The Permanent Improvement Nonmajor Capital Projects Fund received a transfer in the amount of \$112,315 from the General Fund. The Lunchroom Nonmajor Special Revenue Fund received a transfer in the amount of \$45,321 from the General Fund.

**Interfund Advances**

Interfund balances at June 30, 2016, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2017 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 32,707	\$ -
Nonmajor Special Revenue Funds:		
District Managed Activities	-	5,563
Miscellaneous Federal Grants	-	27,144
	<u>-</u>	<u>27,144</u>
Total Nonmajor Special Revenue Funds	-	32,707
	<u>-</u>	<u>32,707</u>
Total Interfund Receivables/Payables	<u>\$ 32,707</u>	<u>\$ 32,707</u>

The amounts due to the General fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General fund will be reimbursed when funds become available in the non-major special revenue funds.



**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 19 - CONTINGENCIES**

**Grants**

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, 2016, if applicable, cannot be determined at this time.

**Litigation**

The School District is not currently party to any legal proceedings.

**Foundation**

School 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 districts, 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 or June 30, 2016 Foundation funding for the School 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 School District.

**NOTE 20 – 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 the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted for</b>				
Other Purposes	\$0	\$0	\$154,482	\$154,482
Capital Maintenance	0	8,655	6,086	14,741
Debt Services Payments	0	0	305,536	305,536
Capital Improvements	47,798	0	0	47,798
Total Restricted	<u>47,798</u>	<u>8,655</u>	<u>466,104</u>	<u>522,557</u>
<b>Committed to</b>				
Termination Benefits	<u>118,808</u>	<u>0</u>	<u>0</u>	<u>118,808</u>
<b>Assigned to</b>				
Other Purposes	<u>425,194</u>	<u>0</u>	<u>0</u>	<u>425,194</u>
<b>Unassigned (Deficit)</b>	<u>2,877,798</u>	<u>0</u>	<u>(101,467)</u>	<u>2,776,331</u>
Total Fund Balances	<u><u>\$3,469,598</u></u>	<u><u>\$8,655</u></u>	<u><u>\$364,637</u></u>	<u><u>\$3,842,890</u></u>

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 21 – COMMITMENTS**

**Contractual**

As of June 30, 2016, the School District’s contractual purchase commitments for the energy conservation projects are as follows:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/16</u>
Building Design	RW Setterlin Building Co.	\$552,946	\$393,078	\$159,868

**Encumbrances**

At June 30, 2016, the School District had significant encumbrance commitments in the following governmental fund:

<u>Fund</u>	<u>Amount</u>
Major Funds:	
General	\$187,160
Classroom Facilities	159,868
Total Major Funds	<u>347,028</u>
Nonmajor Fund:	
Classroom Facilities Maintenance	<u>55,074</u>
Total Encumbrances	<u><u>\$402,102</u></u>

**NOTE 22 – NEW ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

**Adena Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 22 – NEW ACCOUNTING PRINCIPLES** (continued)

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

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**Adena Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$18,503,280,961	\$17,881,827,171	\$17,247,161,078
Plan net position	<u>12,797,184,030</u>	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.055553%	0.050537%	0.050537%
School District's proportionate share of the net pension liability	\$ 3,169,908	\$ 2,557,649	\$ 3,005,273
School District's covered-employee payroll	\$ 1,672,382	\$ 1,468,514	\$ 1,704,870
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.50%	174.20%	176.30%
Plan fiduciary net position as a percentage of the total pension liability	69.20%	71.70%	65.50%

(1) Information prior to 2013 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Adena Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$99,014,653,744	\$96,167,057,104	\$94,366,693,720
Plan net position	<u>71,377,578,736</u>	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.04410304%	0.04533599%	0.04533599%
School District's proportionate share of the net pension liability	\$ 12,188,790	\$ 11,027,282	\$ 13,135,626
School District's covered-employee payroll	\$ 4,601,414	\$ 4,632,231	\$ 4,856,469
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.90%	238.10%	270.50%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Adena Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 231,226	\$ 220,420	\$ 203,536	\$ 235,954	\$ 188,256	\$ 218,801	\$ 254,139	\$ 164,886	\$ 130,020	\$ 150,393
Contributions in relation to the contractually required contribution	<u>(231,226)</u>	<u>(220,420)</u>	<u>(203,536)</u>	<u>(235,954)</u>	<u>(188,256)</u>	<u>(218,801)</u>	<u>(254,139)</u>	<u>(164,886)</u>	<u>(130,020)</u>	<u>(150,393)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$1,651,614	\$1,672,382	\$1,468,514	\$1,704,870	\$1,399,673	\$1,740,660	\$1,876,950	\$1,675,671	\$1,324,033	\$1,408,174
Contributions as a percentage of covered employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**Adena Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 644,427	\$ 644,198	\$ 602,190	\$ 631,341	\$ 630,814	\$ 645,289	\$ 613,622	\$ 591,836	\$ 589,656	\$ 592,153
Contributions in relation to the contractually required contribution	<u>(644,427)</u>	<u>(644,198)</u>	<u>(602,190)</u>	<u>(631,341)</u>	<u>(630,814)</u>	<u>(645,289)</u>	<u>(613,622)</u>	<u>(591,836)</u>	<u>(589,656)</u>	<u>(592,153)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 4,603,050	\$ 4,601,414	\$ 4,632,231	\$ 4,856,469	\$ 4,852,415	\$ 4,963,762	\$ 4,720,169	\$ 4,552,585	\$ 4,535,815	\$ 4,555,023
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%



**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	\$ 20,067
Cash Assistance:			
National School Breakfast Program	10.553	3L70	32,678
National School Lunch Program	10.555	3L60	198,053
Total Nutrition Cluster			<u>250,798</u>
Total U.S. Department of Agriculture			<u><b>250,798</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education - Grants to States IDEA Part B	84.027	3M20-2015	31,007
Special Education - Grants to States IDEA Part B	84.027	3M20-2016	199,178
Total IDEA Part B			<u><b>230,185</b></u>
Title I Grants to Local Educational Agencies	84.010	3M00-2015	38,922
Title I Grants to Local Educational Agencies	84.010	3M00-2016	244,689
Total Title I			<u><b>283,611</b></u>
Rural and Low Income	84.358	3Y80	3,033
Title IIA - Improving Teacher Quality	84.367	3Y60-2016	52,962
Total U.S. Department of Education			<u><b>569,791</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 820,589</b></u>

*The accompanying notes are an integral part of this schedule.*

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Adena Local School District (the School District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2016 to 2017 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I-A Improving Basic Programs	84.010	\$28,560
Title II-A Improving Teacher Quality	84.367	\$2,304



# Dave Yost • Auditor of State

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

Adena Local School District  
Ross County  
3367 County Road 550  
Frankfort, Ohio 45628

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adena Local School District, Ross County, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 22, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 22, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Adena Local School District  
Ross County  
3367 County Road 550  
Frankfort, Ohio 45628

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Adena Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Adena Local School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Adena Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 22, 2017

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA 10.555 and 10.553 Nutrition Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**ADENA LOCAL SCHOOL DISTRICT**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 9, 2017**