

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2015*

CHRISTINE ANGERER, TREASURER



Dave Yost • Auditor of State

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

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

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

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

Dave Yost
Auditor of State

March 7, 2017

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Non-GAAP Budgetary Basis - General Fund.....	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	22
Notes to the Basic Financial Statements.....	23 - 55
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	56
State Teachers Retirement System (STRS) of Ohio	57
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio	58 - 59
State Teachers Retirement System (STRS) of Ohio	60 - 61
Notes to Required Supplementary Information	62
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	63 - 64
Schedule of Findings and Responses.....	65
Status of Prior Audit Findings	66

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg-Franklin Local School District, Tuscarawas County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Strasburg-Franklin Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg-Franklin Local School District, Tuscarawas County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Strasburg-Franklin Local School District presented its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) after previously reporting in accordance with standards established by the Auditor of State. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Strasburg-Franklin Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Strasburg-Franklin Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 15, 2016

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of Strasburg-Franklin Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2015 are as follows:

- The School District has closed out the project with the Ohio Facilities Construction Commission (OFCC) for the K-12 building under the classroom facilities assistance program. Upon closing out the project; \$965,730 of OFCC funding was returned to the State due to the project being under budget. The returned portion is represented as "Other financing Uses" on the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.
- Revenues for governmental activities totaled \$6,863,599 in fiscal year 2015. Of this total, 86 percent consisted of general revenues while program revenues accounted for the balance of 14 percent.
- The School District has two levies; a 1.6 mill levy expiring 2017 and the other levy, which is 6.5 mills, expires 2016. The Board plans on placing both levies on the ballot for either renewal or replacement.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Strasburg-Franklin Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

These two statements report the School District's net position and changes in net position. This change in net position is 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 performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District's major funds are described on page 24. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement fund, and the permanent improvement fund.

Governmental Funds

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

The School District as a Whole

You may recall that 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 as of 2015; since this is the first year the School District has prepared financial statements applying accounting principles generally accepted in the United States of America (GAAP), comparison figures are not available.

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 1
Net Position

	<i>Governmental Activities</i>
	2015
Assets	
Current and Other Assets	\$6,959,844
Capital Assets, Net	16,097,797
<i>Total Assets</i>	23,057,641
Deferred Outflows of Resources	
Deferred Charge on Refunding	540,506
Pension	466,138
<i>Total Deferred Outflows of Resources</i>	1,006,644
Liabilities	
Current Liabilities	582,613
Long-Term Liabilities:	
Due Within One Year	303,738
Due in More Than One Year	5,763,931
Net Pension Liability	6,372,393
<i>Total Liabilities</i>	13,022,675
Deferred Inflows of Resources	
Property Taxes	2,190,541
Pension	1,154,588
<i>Total Deferred Inflows of Resources</i>	3,345,129
Net Position	
Net Investment in Capital Assets	10,974,344
Restricted	2,081,896
Unrestricted	(5,359,759)
<i>Total Net Position</i>	\$7,696,481

The School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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.

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

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Under the new 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

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.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of reducing net position at June 30, 2014 by \$7,198,670 (See Note 3).

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

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$5,918,177 or 86 percent of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to \$945,422 or only 14 percent of total revenue.

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015. Since this is the first year the School District has prepared financial statements according to accounting principles generally accepted in the United States of America, revenue and expense comparisons to fiscal year 2014 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Position

	Governmental Activities
	2015
Revenues	
Program Revenues:	
Charges for Services and Sales	\$535,150
Operating Grants and Contributions	410,272
<i>Total Program Revenues</i>	<i>945,422</i>
General Revenues:	
Property Taxes	2,962,327
Grants and Entitlements	2,898,284
Investments	3,523
Miscellaneous	54,043
Other Financing Uses	(965,730)
<i>Total General Revenues</i>	<i>4,952,447</i>
<i>Total Revenues</i>	<i>5,897,869</i>
Program Expenses	
Instruction:	
Regular	3,579,376
Special	544,115
Vocational	78,356
Other	72,256
Support Services:	
Pupils	228,917
Instructional Staff	292,909
Board of Education	20,484
Administration	657,194
Fiscal	261,014
Operation and Maintenance of Plant	645,047
Pupil Transportation	183,431
Central	51,584
Operation of Non-Instructional Services	239,415
Extracurricular Activities	221,737
Interest and Fiscal Charges	143,610
<i>Total Program Expenses</i>	<i>7,219,445</i>
Decrease in Net Position	(1,321,576)
<i>Net Position Beginning of Year - Restated</i>	<i>9,018,057</i>
<i>Net Position End of Year</i>	<i>\$7,696,481</i>

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Governmental Activities

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

As one can see, approximately 59 percent of the School District's total expenses are instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 33 percent. The remaining amount of program expenses, 8 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the School District.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Since this is the first year the School District has prepared financial statements according to accounting principles generally accepted in the United States of America, revenue and expense comparisons to fiscal year 2014 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

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Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015
Governmental Activities:		
Instruction:		
Regular	\$3,579,376	\$3,565,252
Special	544,115	67,423
Vocational	78,356	78,356
Other	72,256	72,256
Support Services:		
Pupils	228,917	228,917
Instructional Staff	292,909	198,439
Board of Education	20,484	20,484
Administration	657,194	646,164
Fiscal	261,014	261,014
Operation and Maintenance of Plant	645,047	637,197
Pupil Transportation	183,431	183,431
Central	51,584	51,584
Operation of Non-Instructional Services	239,415	11,469
Extracurricular Activities	221,737	108,427
Interest and Fiscal Charges	143,610	143,610
Total	\$7,219,445	\$6,274,023

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 41 percent of total costs are directly supported by local property taxes. Grant and entitlements support about 40 percent of total costs. Program revenues only account for 13 percent of all governmental expenses.

The School District's Funds

Information regarding the School District's major funds can be found beginning on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues totaling \$6,849,720 and expenditures totaling \$6,889,976. The general fund balance decreased by \$227,728 due to increased spending in purchased services. The bond retirement fund balance increased by \$43,902 due to increased property taxes collections. Permanent improvement fund balance increased by \$638,248 due to closing the OFCC project which lead to the transfer of any money remaining in the building fund to the permanent improvement fund.

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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 fund to be budgeted is the main operating fund of the School District, the general fund.

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

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

The School District's general fund unencumbered ending cash balance totaled \$2,208,749 which was slightly less than the final budgeted amount of \$2,209,714.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$16,097,797 invested in land, buildings and improvements, furniture and fixtures, and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2015 values compared to fiscal year 2014.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<i>Governmental Activities</i>	
	<i>2015</i>	<i>2014</i>
Land	2,661,196	2,661,196
Buildings and Improvements	17,323,689	17,323,689
Furniture and Fixtures	404,129	382,629
Vehicles	471,116	471,116
Accumulated Depreciation	(4,762,333)	(4,089,335)
<i>Totals</i>	\$16,097,797	\$16,749,295

All capital assets are reported at historical cost. For more information on capital assets refer to Note 9 of the basic financial statements.

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Debt

Table 5 below summarizes the School District's outstanding debt.

Table 5
Outstanding Debt at Year End

	<i>Governmental Activities</i>	
	<i>2015</i>	<i>2014</i>
General Obligation Bonds:		
Serial and Term Bonds	\$5,115,000	\$5,380,000
Capital Appreciation Bonds	84,999	84,999
Accretion on Capital Appreciation Bonds	61,762	43,706
Premium	420,254	444,975
<i>Totals</i>	\$5,682,015	\$5,953,680

On April 26, 2005, the District issued general obligation bonds to provide funds for constructing a new elementary school building. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond issue are recorded as a disbursement in the debt service fund.

The original issue was comprised of both current interest bonds, par value \$6,655,000, and capital appreciation bonds, par value \$144,990. The interest rates on the current interest bonds range from 3.00% to 4.45%. The capital appreciation bonds matured on December 1, 2010 (effective interest 15.53%), December 1, 2011 (effective interest 15.53%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$360,000. Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

On October 30, 2012, \$5,330,000 of the callable portion of the bonds were refunded. The balance of the refunded bonds at June 30, 2015, is \$5,330,000. This refunded debt is considered defeased (in-substance).

On October 30, 2012, the District issued general obligation bonds to advance refund \$5,330,000 of the Series 2005 School Improvement General Obligation Bonds. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond issue are recorded as a disbursement in the debt service fund.

This issue was comprised of both current interest bonds, par value \$5,245,000, and capital appreciation bonds, par value \$84,999. The interest rates on the current interest bonds range from 1.50% to 3.00%. The capital appreciation bonds mature on December 1, 2019 (effective interest 27.40%), December 1, 2020 (effective interest 27.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$590,000. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

The School District's overall debt margin is \$3,652,017 and the unvoted debt margin is \$93,290. For more information on debt refer to Note 14 of the basic financial statements.

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

School District Outlook

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

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

Fluctuations in real and public utility personal property taxes are attributed to changes in market values due to reappraisal and updates. The School District receives real and public utility personal property tax revenues from both Tuscarawas County. Tangible personal property taxes were phased out beginning in fiscal year 2012.

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

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

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

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

Strasburg-Franklin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Contacting the School District's Financial Management

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

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**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,258,315
Receivables:	
Property taxes	2,684,478
Intergovernmental	13,902
Materials and supplies inventory	178
Inventory held for resale	2,971
Capital assets:	
Nondepreciable capital assets	2,661,196
Depreciable capital assets, net	13,436,601
Capital assets, net	16,097,797
Total assets	23,057,641
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	540,506
Pension - STRS	378,540
Pension - SERS	87,598
Total deferred outflows of resources	1,006,644
 Liabilities:	
Accounts payable	10,600
Accrued wages and benefits payable	445,992
Matured compensated absences payable	23,787
Intergovernmental payable	92,735
Accrued interest payable	9,499
Long-term liabilities:	
Due within one year	303,738
Due in more than one year:	
Net pension liability (See Note 12)	6,372,393
Other amounts due in more than one year	5,763,931
Total liabilities	13,022,675
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	2,190,541
Pension - STRS	980,647
Pension - SERS	173,941
Total deferred inflows of resources	3,345,129
 Net position:	
Net investment in capital assets	10,974,344
Restricted for:	
Debt service	460,391
Capital projects	1,170,177
Other purposes	451,328
Unrestricted (deficit)	(5,359,759)
Total net position	\$ 7,696,481

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Program Revenues</u>			Net (Expenses) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction:				
Regular	\$ 3,579,376	\$ 5,433	\$ 8,691	\$ (3,565,252)
Special	544,115	295,641	181,051	(67,423)
Vocational	78,356	-	-	(78,356)
Other	72,256	-	-	(72,256)
Support services:				
Pupil	228,917	-	-	(228,917)
Instructional staff	292,909	-	94,470	(198,439)
Board of education	20,484	-	-	(20,484)
Administration	657,194	11,030	-	(646,164)
Fiscal	261,014	-	-	(261,014)
Operations and maintenance	645,047	7,850	-	(637,197)
Pupil transportation	183,431	-	-	(183,431)
Central	51,584	-	-	(51,584)
Operation of non-instructional service:	239,415	101,886	126,060	(11,469)
Extracurricular activities	221,737	113,310	-	(108,427)
Interest and fiscal charges	143,610	-	-	(143,610)
Total governmental activities	\$ 7,219,445	\$ 535,150	\$ 410,272	(6,274,023)

General revenues:

Property taxes levied for:	
General purposes	2,457,399
Debt service	383,357
Classroom facilities maintenance	38,134
Permanent improvement	83,437
Grants and entitlements not restricted	
to specific programs	2,898,284
Investment earnings	3,523
Miscellaneous	54,043
Total general revenues	5,918,177
Special item (OFCC closeout)	(965,730)
Total general revenues, and special items	4,952,447
Change in net position	(1,321,576)
Net position at beginning of year - Restated (See Note 3)	9,018,057
Net position at end of year	\$ 7,696,481

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,230,474	\$ 394,417	\$ 1,153,210	\$ 480,214	\$ 4,258,315
Receivables:					
Property taxes.	2,215,524	355,580	77,866	35,508	2,684,478
Interfund loans	3,809	-	-	-	3,809
Intergovernmental.	-	-	-	13,902	13,902
Materials and supplies inventory.	-	-	-	178	178
Inventory held for resale.	-	-	-	2,971	2,971
Total assets	<u>\$ 4,449,807</u>	<u>\$ 749,997</u>	<u>\$ 1,231,076</u>	<u>\$ 532,773</u>	<u>\$ 6,963,653</u>
Liabilities:					
Accounts payable	\$ 7,229	\$ -	\$ 195	\$ 3,176	\$ 10,600
Accrued wages and benefits payable	427,950	-	-	18,042	445,992
Interfund loans payable	-	-	-	3,809	3,809
Intergovernmental payable	88,817	-	-	3,918	92,735
Matured compensated absences payable.	23,787	-	-	-	23,787
Total liabilities.	<u>547,783</u>	<u>-</u>	<u>195</u>	<u>28,945</u>	<u>576,923</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	1,820,270	280,107	62,059	28,105	2,190,541
Unavailable revenue	100,809	13,974	3,178	1,396	119,357
Intergovernmental revenue not available	-	-	-	12,604	12,604
Total deferred inflows of resources	<u>1,921,079</u>	<u>294,081</u>	<u>65,237</u>	<u>42,105</u>	<u>2,322,502</u>
Fund balances:					
Restricted	-	455,916	1,165,644	473,245	2,094,805
Assigned	14,790	-	-	-	14,790
Unassigned (deficit)	1,966,155	-	-	(11,522)	1,954,633
Total fund balances	<u>1,980,945</u>	<u>455,916</u>	<u>1,165,644</u>	<u>461,723</u>	<u>4,064,228</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,449,807</u>	<u>\$ 749,997</u>	<u>\$ 1,231,076</u>	<u>\$ 532,773</u>	<u>\$ 6,963,653</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Total governmental fund balances		\$ 4,064,228
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,097,797
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 119,357	
Intergovernmental receivable	12,604	
Total	131,961	131,961
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(9,499)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:		
Deferred outflows of resources - pension	466,138	
Deferred inflows of resources - pension	(1,154,588)	
Net pension liability	(6,372,393)	
Total	(7,060,843)	(7,060,843)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(5,199,999)	
Premium on general obligation bonds	(420,254)	
Deferred charge on refunding	540,506	
Capital appreciation bonds accretion	(61,762)	
Compensated absences	(385,654)	
Total	(5,527,163)	(5,527,163)
Net position of governmental activities		\$ 7,696,481

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	General	Bond Retirement	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 2,455,762	\$ 383,773	\$ 83,379	\$ 38,138	\$ 2,961,052
Tuition and fees	295,641	-	-	-	295,641
Earnings on investments	2,864	-	-	659	3,523
Charges for services	-	-	-	101,886	101,886
Extracurricular	6,329	-	-	68,537	74,866
Rental income	7,850	-	-	-	7,850
Contributions and donations	50	-	-	43,501	43,551
Other local revenues	64,127	-	-	1,272	65,399
Intergovernmental	2,827,417	51,490	13,405	403,640	3,295,952
Total revenues	5,660,040	435,263	96,784	657,633	6,849,720
Expenditures:					
Current:					
Instruction:					
Regular	3,069,756	-	18,800	7,858	3,096,414
Special	411,651	-	-	144,898	556,549
Vocational	81,549	-	-	-	81,549
Other	72,256	-	-	-	72,256
Support services:					
Pupil	230,926	-	-	-	230,926
Instructional staff	216,284	-	-	73,842	290,126
Board of education	20,567	-	-	-	20,567
Administration	563,699	-	-	-	563,699
Fiscal	249,608	7,763	1,670	769	259,810
Operations and maintenance	623,028	-	852	22,802	646,682
Pupil transportation	174,543	-	-	-	174,543
Central	51,584	-	-	-	51,584
Operation of non-instructional services	673	-	-	232,989	233,662
Extracurricular activities	114,843	-	-	113,168	228,011
Debt service:					
Principal retirement	-	265,000	-	-	265,000
Interest and fiscal charges	-	118,598	-	-	118,598
Total expenditures	5,880,967	391,361	21,322	596,326	6,889,976
Excess (deficiency) of revenues over (under) expenditures	(220,927)	43,902	75,462	61,307	(40,256)
Other financing sources (uses):					
Transfers in	-	-	562,786	6,801	569,587
Transfers (out)	(6,801)	-	-	(562,786)	(569,587)
Total other financing sources (uses)	(6,801)	-	562,786	(555,985)	-
Special item:					
OFCC closeout	-	-	-	(965,730)	(965,730)
Total special items	-	-	-	(965,730)	(965,730)
Net change in fund balances	(227,728)	43,902	638,248	(1,460,408)	(1,005,986)
Fund balances at beginning of year - Restated (See Note 3)	2,208,673	412,014	527,396	1,922,131	5,070,214
Fund balances at end of year	\$ 1,980,945	\$ 455,916	\$ 1,165,644	\$ 461,723	\$ 4,064,228

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Net change in fund balances - total governmental funds		\$ (1,005,986)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 21,500	
Current year depreciation	(672,998)	
Total		(651,498)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	1,275	
Intergovernmental	12,604	
Total		13,879
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		265,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Bond accretion	(18,056)	
Amortization of bond premiums	24,721	
Amortization of deferred charges	(31,794)	
Accrued interest	117	
Total		(25,012)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(55,786)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		405,986
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(268,159)
Change in net position of governmental activities		\$ (1,321,576)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,356,616	\$ 2,389,995	\$ 2,389,995	\$ -
Tuition and fees	291,512	295,541	295,641	100
Earnings on investments	2,824	2,672	2,864	192
Rental income	7,740	7,850	7,850	-
Other local revenues	21,379	21,682	21,682	-
Intergovernmental	2,787,929	2,827,417	2,827,417	-
Total revenues	<u>5,468,000</u>	<u>5,545,157</u>	<u>5,545,449</u>	<u>292</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,538,813	3,030,213	3,031,461	(1,248)
Special	205,921	405,665	405,665	-
Vocational	41,775	82,296	82,296	-
Other	39,483	77,781	77,781	-
Support services:				
Pupil	117,215	230,914	230,914	-
Instructional staff	110,146	216,988	216,988	-
Board of education	10,788	21,253	21,253	-
Administration	276,740	545,178	545,178	-
Fiscal	129,166	254,457	254,457	-
Operations and maintenance	320,508	631,401	631,401	-
Pupil transportation	98,116	193,289	193,289	-
Central	26,868	52,929	52,929	-
Other operation of non-instructional services	342	673	673	-
Extracurricular activities	58,498	115,241	115,241	-
Total expenditures	<u>2,974,379</u>	<u>5,858,278</u>	<u>5,859,526</u>	<u>(1,248)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,493,621</u>	<u>(313,121)</u>	<u>(314,077)</u>	<u>(956)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	31,909	32,361	32,361	-
Refund of prior year's receipts	(17,929)	(35,321)	(35,321)	-
Transfers in	133,151	135,037	135,037	-
Transfers (out)	(71,999)	(141,838)	(141,838)	-
Advances in	62,009	62,887	62,887	-
Advances (out)	(1,934)	(3,809)	(3,809)	-
Total other financing sources (uses)	<u>135,207</u>	<u>49,317</u>	<u>49,317</u>	<u>-</u>
Net change in fund balance	2,628,828	(263,804)	(264,760)	(956)
Fund balance at beginning of year	2,453,937	2,453,937	2,453,937	-
Prior year encumbrances appropriated	19,581	19,581	19,581	-
Fund balance at end of year	<u>\$ 5,102,346</u>	<u>\$ 2,209,714</u>	<u>\$ 2,208,758</u>	<u>\$ (956)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 20,475	\$ 41,781
Total assets.	20,475	\$ 41,781
Liabilities:		
Due to students.	-	\$ 41,781
Total liabilities	-	\$ 41,781
Net position:		
Held in trust for scholarships	20,475	
Total net position.	\$ 20,475	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 36
Total additions	36
Deductions:	
Payments in accordance with trust agreements	-
Change in net position	36
Net position at beginning of year	20,439
Net position at end of year	\$ 20,475

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Strasburg-Franklin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District and Reporting Entity

Strasburg-Franklin 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 operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or Federal guidelines.

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the School District’s one facility, staffed by 16 classified personnel, 41 certificated teaching personnel and 5 administrators who provide service to 642 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Strasburg-Franklin 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. There are no component units of the Strasburg-Franklin Local School District.

The School District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Buckeye Joint Vocational School District, Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), the Strasburg Enterprise Zone Committee, the Workers’ Compensation Group Rating Program, and the Stark County Schools Council of Governments, additional information is presented in Notes 15 and 16 of the financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Strasburg-Franklin Local 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. Following are the more significant of the School District’s accounting policies.

Strasburg-Franklin Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 fiduciary funds. These statements usually distinguish those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the 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 statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund 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. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and 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 and report for all financial resources except those required to be accounted for or reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Strasburg-Franklin Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (continued)

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

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

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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. The School District has one private purpose trust funds which are used to account for college scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents 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 and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means collectible within the current fiscal year or 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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 nonexchange 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, grants, investment earnings, tuition, rentals and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and 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 has been given authority to allocate Board appropriations to the function and object levels within each fund.

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

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2015.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

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 School District 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 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a money market fund. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2015.

As authorized by State 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 during fiscal year 2015 amounted to \$2,864 which includes approximately \$1,228 assigned from other School District funds.

For presentation on the financial statements, 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.

An analysis of the School District's deposits and investments at fiscal year-end is provided in Note 6.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. There were no prepaid amounts to report at June 30, 2015.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food. Donated commodities are presented at the entitlement value.

I. Capital Assets

All capital assets of the School District are classified as general capital assets. 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.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Capital Assets (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	8 - 10 years

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave benefits is made to the extent that it is probable that benefits will result in termination payments. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

K. Accrued Liabilities and Long-Term Obligations

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

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Accrued Liabilities and Long-Term Obligations (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, net pension liability, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

L. Net Position

Net position represents the difference between all other elements of the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. 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 category includes amounts that cannot be spent because they are not in 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.

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 the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for other purposes.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance (continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

N. Interfund Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

O. Interfund Balances

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

P. Estimates

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

Q. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

R. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

S. Pensions

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

T. Special Item

Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District reported a special item in fiscal year 2015. The District performed the final close-out process of the Ohio Facilities Construction Commission (OFCC) construction project. Since the construction project came in under budget, the School District was required, under the terms of the project agreement, to refund a portion of the remaining funds to the OFCC. The amount of the refund is presented as a special item on the financial statements in the amount of \$965,730.

Note 3 - Accountability and Compliance

A. Change in Accounting Principle and Restatement of Fund Balances/Net Position

For fiscal year 2015, the School District implemented accounting principles generally accepted in the United States of America (GAAP) and implemented the Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementations had the following effect on fund balance and net position as reported June 30, 2014:

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 3 - Accountability and Compliance (Continued)

Applying accounting principles generally accepted in the United States of America and GASB 54 impacted fund balances as follows:

	<u>General</u> <u>Fund</u>	<u>Bond</u> <u>Retirement</u>	<u>Permanent</u> <u>Improvement</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>	<u>Proprietary</u>
Cash Fund Balance at 7/1/14	\$2,487,318	\$376,252	\$519,944	\$1,988,453	\$5,371,967	\$29,666
Fund Reclassifications:						
Food Service	-	-	-	29,666	29,666	(29,666)
Adjustment Due to Application of Generally Accepted Accounting Principles	(278,645)	35,762	7,452	(95,988)	(331,419)	-
Restated Fund Balance at 7/1/14	<u>\$2,208,673</u>	<u>\$412,014</u>	<u>\$527,396</u>	<u>\$1,922,131</u>	<u>\$5,070,214</u>	<u>\$ -</u>

The implementation of GASB 68 impacted the School Districts net position as follows:

Net cash position June 30, 2014	\$5,401,633
Adjustments:	
Application of Generally Accepted Accounting Principles	10,815,094
Net Pension Liability	(7,573,414)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>374,744</u>
Restated Net Position June 30, 2014	<u>\$9,018,057</u>

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

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 11,522

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

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

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 (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses 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 restricted, committed, or assigned fund balance (GAAP basis).
4. Budgetary revenues and expenditures of the latchkey and public school support funds are reclassified to the general fund for GAAP reporting, but have separate legally adopted budgets.

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

Net Change in Fund Balance

	<i>General</i>
<i>GAAP Basis</i>	(\$227,728)
Net Adjustment for Revenue Accruals	(27,468)
Net Adjustment for Expenditure Accruals	(57,756)
Net Adjustment for Other Sources/Uses	56,118
Funds Budgeted Elsewhere	2,688
Adjustment for Encumbrances	(10,614)
<i>Budget Basis</i>	(\$264,760)

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 5 – Fund Balances

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

Fund Balances	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total
<i>Restricted for</i>					
Food Service	\$0	\$0	\$0	\$13,820	\$13,820
Student Activities	0	0	0	29,234	29,234
Debt Service	0	455,916	0	0	455,916
Classroom Facilities	0	0	0	348,746	348,746
Permanent Improvements	0	0	1,165,644	1,355	1,166,999
Other Purposes	0	0	0	80,090	80,090
<i>Total Restricted</i>	0	455,916	1,165,644	473,245	2,094,805
<i>Assigned to</i>					
Other Purposes	11,111	0	0	0	11,111
Purchases on Order	3,679	0	0	0	3,679
<i>Total Assigned</i>	14,790	0	0	0	14,790
<i>Unassigned (Deficit)</i>	1,966,155	0	0	(11,522)	1,954,633
<i>Total Fund Balances</i>	\$1,980,945	\$455,916	\$1,165,644	\$461,723	\$4,064,228

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 6 – Deposits and Investments (Continued)

Interim monies held by the School District can be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are 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. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

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

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 6 – Deposits and Investments (Continued)

Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$294,894. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$929,487 of the District’s bank balance of \$1,395,926 was exposed to custodial risk as discussed below, while \$466,439 was covered by FDIC.

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

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>6 months or less</u>
Money Market Fund	\$ 1,033,630	\$ 1,033,630
STAR Ohio	2,991,047	2,991,047
	<u>\$ 4,024,677</u>	<u>\$ 4,024,677</u>

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

Custodial Credit Risk: For an investment, 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. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk: The federal agency securities that underlie the School District’s money market fund were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 6 – Deposits and Investments (Continued)

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% to Total</u>
Money Market Fund	\$ 1,033,630	25.68
STAR Ohio	<u>2,991,047</u>	<u>74.32</u>
	<u>\$ 4,024,677</u>	<u>100.00</u>

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

Cash and Investments Per Note Disclosure

Carrying Amount of Deposits	\$ 294,894
Investments	4,024,677
Cash on Hand	<u>1,000</u>
Total	<u>\$ 4,320,571</u>

Cash and Investments Per Statement of Net Position

Governmental Activities	\$ 4,258,315
Private Purpose Trust Fund	20,475
Agency Fund	<u>41,781</u>
Total	<u>\$ 4,320,571</u>

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's 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 tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 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 2015 represents collections of calendar year 2014 taxes. Public utility real property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 7 - Property Taxes (Continued)

The School District receives property taxes from Tuscarawas County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$294,445 in the general fund, \$6,007 in the classroom facility fund, \$12,629 in the permanent improvement fund and \$61,499 in the bond retirement fund. The amount available as an advance at June 30, 2014 was \$228,678 in the general fund, \$3,591 in the classroom facility fund, \$7,452 in the permanent improvement fund and \$35,762 in the bond retirement fund. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	<i>2015 First Half Collections</i>		<i>2014 Second Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$89,148,250	95.56%	\$88,322,100	95.58%
Public Utility Personal	4,141,750	4.44	4,088,070	4.42
	<u>\$93,290,000</u>	<u>100.00%</u>	<u>\$92,410,170</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$62.10		\$62.20	

Note 8 - Receivables

Receivables at June 30, 2015 consisted primarily of property taxes and intergovernmental grants. 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 fiscal year guarantee of federal funds. All receivables other than delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of receivables reported on the statement of net position follows:

<i>Governmental Activities</i>	<i>Amounts</i>
Property taxes	\$2,684,478
Intergovernmental	13,902
<i>Total</i>	<u>\$2,698,380</u>

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 9 - Capital Assets

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

	<i>Balance 6/30/14</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance 6/30/15</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,661,196	\$0	\$0	\$2,661,196
<i>Total Capital Assets, not being depreciated</i>	<u>2,661,196</u>	<u>0</u>	<u>0</u>	<u>2,661,196</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	17,323,689	0	0	17,323,689
Furniture and Fixtures	382,629	21,500	0	404,129
Vehicles	471,116	0	0	471,116
<i>Total Capital Assets, being depreciated</i>	<u>18,177,434</u>	<u>21,500</u>	<u>0</u>	<u>18,198,934</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(3,491,105)	(634,883)	0	(4,125,988)
Furniture and Fixtures	(149,785)	(29,046)	0	(178,831)
Vehicles	(448,445)	(9,069)	0	(457,514)
<i>Total Accumulated Depreciation</i>	<u>(4,089,335)</u>	<u>(672,998)</u>	<u>0</u>	<u>(4,762,333)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>14,088,099</u>	<u>(651,498)</u>	<u>0</u>	<u>13,436,601</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$16,749,295</u>	<u>(\$651,498)</u>	<u>\$0</u>	<u>\$16,097,797</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$547,672
Support Services:	
Staff	3,478
Administration	83,980
Operation and Maintenance of Plant	1,325
Pupil Transportation	9,068
Extracurricular Activities	20,078
Operation of Non-instructional Services	7,397
<i>Total Depreciation Expense</i>	<u><u>\$672,998</u></u>

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 10 - Risk Management

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Liberty Mutual for property insurance. Liberty Mutual also covers boiler and machinery with a \$1,000 deductible and inland marine coverage with a \$250 deductible.

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

B. Workers' Compensation

The School District is a participant in the Stark County Schools Council of Government's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). 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 insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services of the GRP.

C. Health Insurance

The School District has contracted with the Stark County Schools Council of Government's Health Benefits Program to provide employee medical/surgical and dental benefits (Note 16). Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,533.86 for family coverage and \$630.32 for single coverage per employee per month.

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a limit of 270 days of sick leave that may be accumulated for certified employees and classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 11 - Employee Benefits (Continued)

B. Life Insurance

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

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the 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 bases of accounting.

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 under Employers/Audit Resources.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 12 - Defined Benefit Pension Plans (Continued)

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

The School District’s contractually required contribution to SERS was \$78,477 for fiscal year 2015. Of this amount \$5,502 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.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 12 - Defined Benefit Pension Plans (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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates. The School District's contractually required contribution to STRS was \$327,509 for fiscal year 2015. Of this amount \$39,357 is reported as an intergovernmental payable.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 12 - 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 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,071,705	\$5,300,688	\$6,372,393
Proportion of the Net Pension Liability	0.02117600%	0.02179249%	
Pension Expense	\$62,543	\$205,616	\$268,159

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$9,121	\$51,031	\$60,152
School District contributions subsequent to the measurement date	<u>78,477</u>	<u>327,509</u>	<u>405,986</u>
Total Deferred Outflows of Resources	<u><u>\$87,598</u></u>	<u><u>\$378,540</u></u>	<u><u>\$466,138</u></u>
Deferred Inflows of Resources			
Difference between School District contributions and proportionate share of contributions	<u>173,941</u>	<u>980,647</u>	<u>1,154,588</u>
Total Deferred Inflows of Resources	<u><u>\$173,941</u></u>	<u><u>\$980,647</u></u>	<u><u>\$1,154,588</u></u>

\$405,986 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (41,205)	\$ (232,404)	\$ (273,609)
2017	(41,205)	(232,404)	(273,609)
2018	(41,205)	(232,404)	(273,609)
2019	<u>(41,205)</u>	<u>(232,404)</u>	<u>(273,609)</u>
Total	<u><u>\$ (164,820)</u></u>	<u><u>\$ (929,616)</u></u>	<u><u>\$ (1,094,436)</u></u>

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 12 - Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 12 - Defined Benefit Pension Plans (Continued)

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

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

Sensitivity of the 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	\$1,529,005	\$1,071,705	\$687,077

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 12 - Defined Benefit Pension Plans (Continued)

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	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, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$7,588,512	\$5,300,688	\$3,365,958

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 13 - Postemployment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$10,604.

School Employees Retirement System

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$4,446, \$4,629, and \$4,301, respectively. For fiscal year 2015, 93.46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 13 - Postemployment) Benefits (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$23,378, and \$23,118 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	<i>Balance</i>			<i>Balance</i>		<i>Amounts</i>
	<i>6/30/14</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/15</i>	<i>Due</i>	
					<i>In One Year</i>	
<i>Compensated Absences</i>	<u>\$329,869</u>	<u>\$78,583</u>	<u>(\$22,798)</u>	<u>\$385,654</u>	<u>\$33,738</u>	
<i>2005 OFCC K-12 Building Bonds:</i>						
\$6,655,000 -3% to 4.45% Serial Bonds	<u>195,000</u>	<u>0</u>	<u>(195,000)</u>	<u>0</u>	<u>0</u>	
<i>2012 OFCC K-12 Building Bonds (Refunding):</i>						
\$5,245,000-1.5% to 3% Serial Bonds	5,185,000	0	(70,000)	5,115,000	270,000	
\$84,999- 27.40% Capital Appreciation Bonds	84,999	0	0	84,999	0	
Accretion on Capital Appreciation Bonds	43,706	18,056	0	61,762	0	
Premium	444,975	0	(24,721)	420,254	0	
<i>Total 2012 OFCC Bonds</i>	<u>5,758,680</u>	<u>18,056</u>	<u>(94,721)</u>	<u>5,682,015</u>	<u>270,000</u>	
<i>Net Pension Liability</i>						
SERS	1,259,269	0	(187,564)	1,071,705	0	
STRS	6,314,145	0	(1,013,457)	5,300,688	0	
<i>Total Net Pension Liability</i>	<u>7,573,414</u>	<u>0</u>	<u>(1,201,021)</u>	<u>6,372,393</u>	<u>0</u>	
<i>Total Governmental Activities</i>						
<i>Long-Term Liabilities</i>	<u>\$13,856,963</u>	<u>\$96,639</u>	<u>(\$1,513,540)</u>	<u>\$12,440,062</u>	<u>\$303,738</u>	

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences payments are paid from the general fund.

Net Pension Liability - See Note 12 for detail.

School Improvement General Obligation Bonds - Series 2005 - On April 26, 2005, the District issued general obligation bonds to provide funds for constructing a new K-12 school building. These bonds are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. Payments of principal and interest relating to this bond issue are recorded as a disbursement in the debt service fund.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 14 - Long-Term Obligations (Continued)

This original issue was comprised of both current interest bonds, par value \$6,655,000, and capital appreciation bonds, par value \$144,990. The interest rates on the current interest bonds range from 3.00% to 4.45%. The capital appreciation bonds matured on December 1, 2010 (effective interest 15.53%), December 1, 2011 (effective interest 15.53%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$360,000. Interest payments on the current interest bonds are due on June 1 and December 1 of each year

School Improvement Refunding General Obligation Bonds - Series 2012 - On October 30, 2012, the School District issued \$5,329,999 in general obligation bonds to refund a portion of the Ohio Facilities Construction Commission (OFCC) general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$5,245,000 and \$84,999, respectively. The interest rates on the current interest bonds range from 1.50% to 3.00%. The capital appreciation bonds mature on December 1, 2019 (effective interest 27.40%), December 1, 2020 (effective interest 27.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The bonds were issued for a twenty year period with a final maturity at December 1, 2032. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity amount of outstanding capital appreciation bonds at December 1, 2020, is \$590,000. The accretion recorded for 2015 was \$18,056, for a total outstanding capital appreciation bond liability of \$61,762. These bonds are general obligations of the District for which the full faith and credit of the School District is pledged for repayment. Payments of principal and interest relating to this bond issue are recorded as a disbursement in the debt service fund.

The bonds were sold at a premium of \$484,116. Net proceeds of \$5,922,640 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2015, \$5,330,000 of the defeased bonds are still outstanding.

The School District's overall debt margin is \$3,652,017 and the unvoted debt margin is \$93,290.

The following is a summary of the School District's future annual principal and interest requirements to retire the general obligation bonds:

<i>Fiscal Year</i>	<i>2012 OFCC Bonds</i>			
	<i>Serial and Term Bonds</i>		<i>Capital Appreciation Bonds</i>	
<i>Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
<i>2016</i>	\$270,000	\$111,297	\$0	\$0
<i>2017</i>	280,000	105,797	0	0
<i>2018</i>	285,000	100,148	0	0
<i>2019</i>	295,000	95,085	0	0
<i>2020</i>	0	92,872	48,633	251,367
<i>2021-2025</i>	1,215,000	416,330	36,366	253,634
<i>2026-2030</i>	1,670,000	254,109	0	0
<i>2031-2033</i>	1,100,000	47,907	0	0
<i>Total</i>	\$5,115,000	\$1,223,545	\$84,999	\$505,001

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 15 - Jointly Governed Organizations

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

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

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

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

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

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

B. Buckeye Joint Vocational School District

The Buckeye Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a eleven member Board, consisting of one representative from each of the eleven participating school district's elected boards. The Buckeye Joint Vocational School District possesses its own budgeting and taxing authority. The Buckeye Joint Vocational School District provides vocational instruction to students of participating districts. To obtain financial information write to the Buckeye Joint Vocational School District, 545 University Drive NE, New Philadelphia, Ohio 44663.

C. Strasburg Enterprise Zone Committee

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

The School District does not retain an ongoing financial responsibility with any of the organizations.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 16 - Public Entity Risk Pools

A. Workers' Compensation Group Rating Plan

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

B. Stark County Schools Council of Governments

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

Note 17 - 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 is 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

School 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 District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

There are currently no matters in litigation with the School District as a defendant.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 18 - Set-Asides

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. The following cash basis information describes the set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	<i>Capital Improvements</i>
<i>Set-Aside Reserve Balance as of June 30, 2014</i>	\$0
Current Year Set-Aside Requirement	111,554
Current Year Offsets	(132,006)
Qualifying Disbursements	(32,910)
<i>Total</i>	(\$53,362)
<i>Set-Aside Balance Carried Forward to Future Years</i>	\$0
<i>Set-Aside Reserve Balance as of June 30, 2015</i>	\$0

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. The negative amounts will not be presented as being carried forward to the next fiscal year.

Note 19 - Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$10,614
Other Governmental Funds	15,690
<i>Total</i>	\$26,304

Note 20 - Interfund Balance

The interfund balance on the balance sheet consisted of a \$3,809 interfund receivable in the General and a \$3,809 interfund payable in the Title I other governmental fund. The primary purpose of advances is to cover costs in specific funds where expected funds were not received by June 30. Advances are expected to be repaid once anticipated funds are received.

Strasburg Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2015

Note 21 - Interfund Transactions

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

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 6,801
 <u>Transfers from nonmajor governmental funds to:</u>	
Permanent improvement fund	<u>562,786</u>
 Total	 <u>\$ 569,587</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers above represent transfers of \$4,801 from the general fund to the classroom facilities fund (a nonmajor governmental fund) for the payment of legal fees and \$2,000 from the general fund to the District managed student activity fund (a nonmajor governmental fund) to cover operating expenses. The remaining transfers represent \$562,786 from the classroom facilities fund (a nonmajor governmental fund) to the permanent improvement fund as required for the OFCC project close out. Interfund transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.02117600%	0.02117600%
District's proportionate share of the net pension liability	\$ 1,071,705	\$ 1,259,269
District's covered-employee payroll	\$ 615,346	\$ 581,199
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.16%	216.67%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.021794249%	0.021794249%
District's proportionate share of the net pension liability	\$ 5,300,688	\$ 6,314,145
District's covered-employee payroll	\$ 2,226,592	\$ 2,311,838
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	273.12%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 78,477	\$ 85,287	\$ 80,438
Contributions in relation to the contractually required contribution	<u>(78,477)</u>	<u>(85,287)</u>	<u>(80,438)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 595,425	\$ 615,346	\$ 581,199
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 83,988	\$ 46,907	\$ 53,660	\$ 48,836	\$ 59,058	\$ 61,766	\$ 59,984
<u>(83,988)</u>	<u>(46,907)</u>	<u>(53,660)</u>	<u>(48,836)</u>	<u>(59,058)</u>	<u>(61,766)</u>	<u>(59,984)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 624,446	\$ 373,166	\$ 396,307	\$ 496,301	\$ 601,405	\$ 578,333	\$ 566,957
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 327,509	\$ 289,457	\$ 300,539
Contributions in relation to the contractually required contribution	<u>(327,509)</u>	<u>(289,457)</u>	<u>(300,539)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,339,350	\$ 2,226,592	\$ 2,311,838
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 307,550	\$ 303,211	\$ 303,465	\$ 293,977	\$ 225,788	\$ 294,495	\$ 297,648
<u>(307,550)</u>	<u>(303,211)</u>	<u>(303,465)</u>	<u>(293,977)</u>	<u>(225,788)</u>	<u>(294,495)</u>	<u>(297,648)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,365,769	\$ 2,332,392	\$ 2,334,346	\$ 2,261,362	\$ 1,736,831	\$ 2,265,346	\$ 2,289,600
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg-Franklin Local School District, Tuscarawas County, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Strasburg-Franklin Local School District's basic financial statements and have issued our report thereon dated December 15, 2016, wherein we noted as discussed in Note 3, the Strasburg-Franklin Local School District presented financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), after previously reporting in accordance with standards established by the Auditor of State.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Strasburg-Franklin Local School District

Compliance and Other Matters

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

Strasburg-Franklin Local School District's Response to Finding

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

Purpose of this Report

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



Julian & Grube, Inc.
December 15, 2016

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Material Weakness – Basic Financial Statement Presentation

Accurate financial reporting is required in order to provide management and the Board of Education with objective and timely information to enable well-informed decisions.

The following audit adjustments were made to correct misstatements identified in the audit of the Strasburg-Franklin Local School District’s basic financial statements:

- i. On the Government-wide and fund financial statements, other financing uses were decreased by \$965,730 and special items were increased by \$965,730. Also, the notes to the basic financial statements were updated to properly disclose the special item.
- ii. Additional disclosures were made to the notes to the basic financial statements to properly reflect the adoption of GASB 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”
- iii. An adjustment was made to the restatement of net position note to properly reflect the net cash position as of June 30, 2014.
- iv. Additional disclosures were made to the notes to the basic financial statements to properly disclose items required by GASB 40, “Deposits and Investment Risk Disclosures.”

The Strasburg-Franklin Local School District’s basic financial statements and cash fund balances in the Strasburg-Franklin Local School District’s records have been adjusted to reflect these adjustments.

Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made.

We recommend the Strasburg-Franklin Local School District implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the basic financial statements prior to presenting them to the auditors.

Client Response: The Treasurer will work to provide a sound fiscal environment for the School District and has implemented policies and procedures to help with financial statement presentation.

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

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2014-001	Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 - The School District did not prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.	Yes	N/A
2014-002	<u>Significant Deficiency - Bank Reconciliations</u> - The School District's bank reconciliation process had significant deficiencies in internal control. The School District's bank reconciliations included unsupported reconciling items.	Yes	N/A



Dave Yost • Auditor of State

STRASBURG- FRANKLIN LOCAL SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2017**