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Certified Public Accountants, A.C.

**THREE RIVERS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY
Single Audit
For the Year Ended June 30, 2016**

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Education
Three Rivers Local School District
401 North Miami Avenue
Cleves, Ohio 45002

We have reviewed the *Independent Auditor's Report* of the Three Rivers Local School District, Hamilton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 24, 2017

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**THREE RIVERS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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**THREE RIVERS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

December 31, 2016

Three Rivers Local School District
Hamilton County
401 N. Miami Avenue
Cleves, Ohio 45002

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 **Three Rivers Local School District**, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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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 Three Rivers Local School District, Hamilton County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The discussion and analysis of Three Rivers Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position of governmental activities decreased \$1,899,251 which represents a 12% decrease from 2015.
- General revenues accounted for \$21,965,431 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,407,770 or 10% of total revenues \$24,373,201.
- The District had \$26,272,452 in expenses related to governmental activities; \$2,407,770 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$21,965,431 were also used to provide for these programs.

Overview of the Financial Statements

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide a more detailed look at financial activities.

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Government-wide Financial Statements answers this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

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

In the Government-wide Financial Statements, the District consists of one activity:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

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

The District has two kinds of funds:

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

Fiduciary Funds The District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

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**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

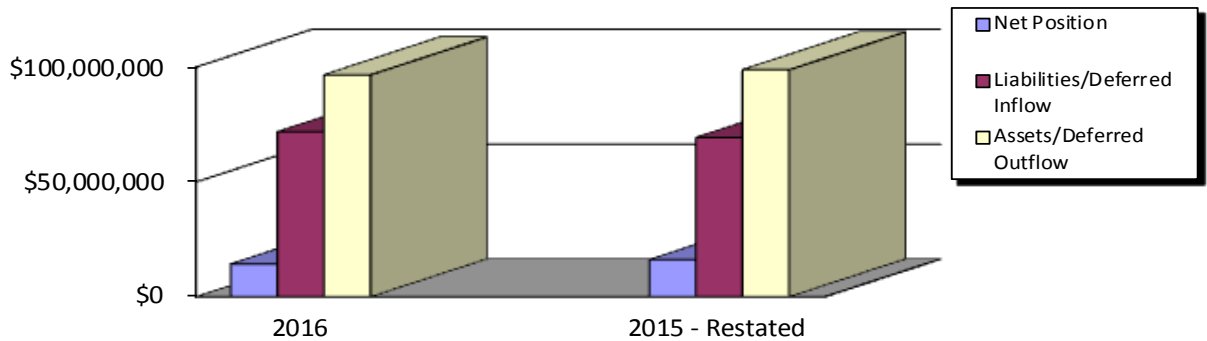
The District as a Whole

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

**Table 1
Net position**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015 Restated</u>
Assets:		
Current and Other Assets	\$33,157,746	\$33,838,092
Capital Assets	<u>63,434,453</u>	<u>64,786,436</u>
Total Assets	<u>96,592,199</u>	<u>98,624,528</u>
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	97,901	101,009
	<u>4,602,528</u>	<u>2,034,794</u>
Total Deferred Outflows of Resources	<u>4,700,429</u>	<u>2,135,803</u>
Liabilities:		
Other Liabilities	3,072,767	3,233,110
Long-Term Liabilities	<u>68,764,879</u>	<u>66,103,967</u>
Total Liabilities	<u>71,837,646</u>	<u>69,337,077</u>
Deferred Inflows of Resources:		
Property Taxes	9,112,310	7,952,935
Grants and Other Taxes	2,628,348	2,587,412
Pension	<u>3,386,547</u>	<u>4,655,879</u>
Total Deferred Inflows of Resources	<u>15,127,205</u>	<u>15,196,226</u>
Net Position:		
Net Investment in Capital Assets	27,006,780	27,239,961
Restricted	3,703,773	5,721,711
Unrestricted	<u>(16,382,776)</u>	<u>(16,734,644)</u>
Total Net Position	<u>\$14,327,777</u>	<u>\$16,227,028</u>

**Three Rivers Local School District, Ohio
 Management’s Discussion and Analysis
 For the Fiscal Year Ended June 30, 2016
 (Unaudited)**



Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2016, the District’s assets exceeded liabilities and deferred inflows of resources by \$14,327,777.

At year-end, capital assets represented 66% of total assets. Capital assets include land, construction in progress, buildings and improvements, transportation and equipment and fixtures. Capital assets, net of related debt to acquire the assets at June 30, 2016, were \$27,006,780. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District’s net position, \$3,703,773 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets increased due to the depreciation being less than additions in 2016. Long-Term Liabilities increased due to the increase in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

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**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 2
Changes in Net position**

	Governmental Activities	
	2016	2015 - Restated
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,004,465	\$1,309,375
Operating Grants and Contributions	1,403,305	2,378,026
General Revenues:		
Property Taxes	11,246,730	13,205,580
Grants and Entitlements	7,553,694	7,361,164
Other	3,165,007	2,820,172
Total Revenues	<u>24,373,201</u>	<u>27,074,317</u>
Program Expenses:		
Instruction	13,904,588	13,802,933
Support Services:		
Pupil and Instructional Staff	1,982,801	2,078,071
School Administrative, General Administration and Fiscal	2,567,647	2,182,665
Operations and Maintenance	1,795,011	1,742,848
Pupil Transportation	2,360,800	1,931,873
Central	206,046	185,125
Operation of Non-Instructional Services	903,780	938,995
Extracurricular Activities	890,178	721,283
Payment to Ohio Facilities Commission	0	921,148
Interest and Fiscal Charges	1,661,601	2,066,058
Bond Issuance Cost	0	300,114
Total Program Expenses	<u>26,272,452</u>	<u>26,871,113</u>
Change in Net Position	(1,899,251)	203,204
Net Position Beginning of Year, Restated	<u>16,227,028</u>	<u>16,023,824</u>
Net Position End of Year	<u>\$14,327,777</u>	<u>\$16,227,028</u>

Governmental Activities

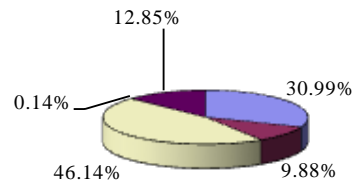
The District revenues are mainly from two sources. Property taxes levied for general, special revenue and debt service purposes and grants and entitlements comprised 76% of the District's revenues for governmental activities.

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

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

Thus, Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 49% of revenue for governmental activities for the District in fiscal year 2016.

Revenue Sources	2016	Percent of Total
General Grants	\$7,553,694	30.99%
Program Revenues	2,407,770	9.88%
General Tax Revenues	11,246,730	46.14%
Investment Earnings	34,188	0.14%
Other Revenues	3,130,819	12.85%
	<u>\$24,373,201</u>	<u>100.00%</u>



Instruction comprises 52.92% of governmental program expenses. Support services expenses were 33.92% of governmental program expenses. All other expenses were 13.16%.

Overall revenues decreased mainly due to the District receiving less tax monies in fiscal year 2016 when compared to fiscal year 2015. Total expenditures increased mainly due to increases in personnel costs and general inflationary factors.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$13,904,588	\$13,802,933	(\$12,285,799)	(\$11,280,757)
Support Services:				
Pupil and Instructional Staff	1,982,801	2,078,071	(1,914,280)	(1,997,512)
School Administrative, General Administration and Fiscal	2,567,647	2,182,665	(2,565,511)	(2,177,952)
Operations and Maintenance	1,795,011	1,742,848	(1,774,310)	(1,725,328)
Pupil Transportation	2,360,800	1,931,873	(2,291,076)	(1,842,994)
Central	206,046	185,125	(202,446)	(181,525)
Operation of Non-Instructional Services	903,780	938,995	(486,217)	(147,283)
Extracurricular Activities	890,178	721,283	(683,442)	(543,041)
Payment to Ohio School Facilities Commission	0	921,148	0	(921,148)
Interest and Fiscal Charges	1,661,601	2,066,058	(1,661,601)	(2,066,058)
Bond Issuance Cost	0	300,114	0	(300,114)
Total Expenses	\$26,272,452	\$26,871,113	(\$23,864,682)	(\$23,183,712)

The District's Funds

The District has one major governmental fund: the General Fund. Assets of this fund comprise \$26,859,300 (79%) of the total \$34,081,963 governmental funds' assets.

General Fund: Fund balance at June 30, 2016 was \$13,807,581, an increase of \$701,096 from 2015. The primary reason for the increase in fund balance was due to an increase in property and other taxes revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the District amended its general fund budget when needed. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, the final budgeted revenue was \$21,943,053 and the original budgeted revenue was \$21,943,053.

The District's ending unobligated actual fund balance for the General fund was \$10,999,834.

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$63,434,453 invested in land, construction in progress, buildings and improvements, transportation, and equipment and fixtures. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

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

	Governmental Activities	
	2016	2015 (Restated)
Land	\$4,400,882	\$4,084,391
Construction in Progress	0	647,881
Buildings and Improvements	56,622,216	57,355,542
Transportation	684,353	663,250
Equipment and Fixtures	1,727,002	2,035,372
Total Net Capital Assets	<u>\$63,434,453</u>	<u>\$64,786,436</u>

The decrease in capital assets is due to the depreciation being more than the additions in 2016.

See Note 7 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2016, the District had \$37,187,673 in bonds outstanding, \$1,000,000 due within one year. Table 5 summarizes debt outstanding.

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Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2016	2015
Bonds:		
2010 School Improvement Qualified School Construction Bonds	9,790,000	10,540,000
Discount on Qualified School Construction Bonds	(59,611)	(64,910)
2010 School Improvement Tax Exempt Bonds		
Current Interest	660,000	770,000
Capital Appreciation	1,110,000	1,110,000
Accretion of Interest	603,950	477,324
Premium on Bonds	633,778	672,780
2011 Certification of Participation Bonds		
Current Interest	1,955,000	2,075,000
Capital Appreciation	90,000	90,000
Accretion of Interest	58,149	43,361
Premium on Bonds	45,107	48,511
2015 Refunding Bonds	21,520,000	21,600,000
2015 Refunding Bonds Premium	781,300	806,103
Total Bonds	<u>\$37,187,673</u>	<u>\$38,168,169</u>

See Note 11 to the basic financial statements for further details on the District's long-term obligations.

For the Future

The major challenges of the Three Rivers Local School District are legislative changes made to its tax base and declining state support.

The phase-out of Tangible Personal Property Tax (TPPT) as legislated in House Bill 66 has reduced the District's revenue by \$3.0M dollars annually between 2007 and 2017. When passed, House Bill 66 provided reimbursement payments to District's to phase-in the loss of revenue. House Bill 153 accelerated the phase out of the TPPT reimbursement scheduled through 2017.

The losses in TPPT reimbursement along with federal stabilization dollars total over \$3.2M for the next two fiscal years. The District has made a number of financial reductions, as well as, successfully negotiated concessions from its bargaining unit for fiscal years 2012 through 2015. Beyond fiscal year 2013 the loss of TPPT reimbursement payments will be equivalent to nearly 5 mills of property tax annually. The District is currently planning to address this issue through expenditure reductions or an additional tax levy.

The District passed a 4.95 mill operating levy renewal in November 2013. The levy generated approximately \$1.7M dollars annually.

The District completed the construction of a new PK-12 school facility with the assistance of the Ohio School Facilities Commission (OSFC). The new facility replaces four school facilities. Three of the school

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

facilities were sold or razed and the fourth was converted into a central office facility, which houses the Head Start class and one high school classroom.

The District does well academically. In the past the District has been rated "Excellent with Distinction". Currently the State provides no overall rating and the components that were included for the 2015 report card were graded A through F. The District received a B on indicators meeting (21 out of 24) and a B on performance index (105 out of 120). Test scores and rankings were not available for 2016.

In conclusion, the District has continued to perform its mission at a high level despite numerous changes in school funding over the last 5 years that has compromised its ability to sustain itself financially.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Three Rivers Local School District, 401 N. Miami Ave., Cleves, Ohio 45002.

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Three Rivers Local School District, Ohio
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,372,570
Receivables (Net):	
Taxes	13,524,536
Interest	11,594
Intergovernmental	3,208,931
Prepays	40,115
Nondepreciable Capital Assets	4,400,882
Depreciable Capital Assets, Net	<u>59,033,571</u>
 Total Assets	 <u>96,592,199</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	97,901
	<u>4,602,528</u>
 Total Deferred Outflows of Resources	 <u>4,700,429</u>
 Liabilities:	
Accounts Payable	21,596
Accrued Wages and Benefits	1,840,568
Contracts Payable	514,339
Accrued Interest Payable	127,283
Intergovernmental Payable	568,981
Long-Term Liabilities:	
Due Within One Year	1,452,508
Due In More Than One Year	
Net Pension Liability	29,483,642
Other Amounts	<u>37,828,729</u>
 Total Liabilities	 <u>71,837,646</u>
 Deferred Inflows of Resources:	
Property Taxes	9,112,310
Grants and Other Taxes	2,628,348
Pension	<u>3,386,547</u>
 Total Deferred Inflows of Resources	 <u>15,127,205</u>
 Net Position:	
Net Investment in Capital Assets	27,006,780
Restricted for:	
Debt Service	1,678,665
Capital Projects	549,837
Classroom Maintenance	1,047,784
Extracurricular Activities	81,055
Spring Recognition	34,856
Title I	51,017
Federal Grants	552
Food Service	260,007
Unrestricted	<u>(16,382,776)</u>
 Total Net Position	 <u>\$14,327,777</u>

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$9,585,189	\$793,461	\$26,532	(\$8,765,196)
Special	3,342,199	0	781,607	(2,560,592)
Vocational	34,553	0	3,126	(31,427)
Other	942,647	0	14,063	(928,584)
Support Services:				
Pupil	1,320,384	0	23,776	(1,296,608)
Instructional Staff	662,417	0	44,745	(617,672)
General Administration	60,888	0	0	(60,888)
School Administration	1,906,088	0	0	(1,906,088)
Fiscal	600,671	0	2,136	(598,535)
Operations and Maintenance	1,795,011	2,040	18,661	(1,774,310)
Pupil Transportation	2,360,800	2,228	67,496	(2,291,076)
Central	206,046	0	3,600	(202,446)
Operation of Non-Instructional Services	903,780	0	417,563	(486,217)
Extracurricular Activities	890,178	206,736	0	(683,442)
Interest and Fiscal Charges	1,661,601	0	0	(1,661,601)
Total Governmental Activities	\$26,272,452	\$1,004,465	\$1,403,305	(23,864,682)

General Revenues:

Property Taxes Levied for:

General Purposes	9,941,634
Special Revenue Purposes	147,122
Debt Service Purposes	1,157,974
Grants and Entitlements, Not Restricted	7,553,694
Revenue in Lieu of Taxes	2,628,348
Unrestricted Contributions	13,319
Investment Earnings	34,188
Other Revenues	489,152

Total General Revenues 21,965,431

Change in Net Position (1,899,251)

Net Position - Beginning of Year, Restated 16,227,028

Net Position - End of Year \$14,327,777

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$11,414,153	\$4,958,417	\$16,372,570
Receivables (Net):			
Taxes	11,843,869	1,680,667	13,524,536
Interest	11,594	0	11,594
Intergovernmental	2,628,348	580,583	3,208,931
Interfund	924,217	0	924,217
Prepays	37,119	2,996	40,115
Total Assets	26,859,300	7,222,663	34,081,963
Liabilities:			
Accounts Payable	20,654	942	21,596
Accrued Wages and Benefits	1,689,941	150,627	1,840,568
Compensated Absences	195,095	0	195,095
Contracts Payable	0	514,339	514,339
Interfund Payable	0	924,217	924,217
Intergovernmental Payable	0	568,981	568,981
Total Liabilities	1,905,690	2,159,106	4,064,796
Deferred Inflows of Resources:			
Property Taxes	8,513,869	1,240,667	9,754,536
Grants and Other Taxes	2,628,348	172,970	2,801,318
Investment Earnings	3,812	0	3,812
Total Deferred Inflows of Resources	11,146,029	1,413,637	12,559,666
Fund Balances:			
Nonspendable	37,119	2,996	40,115
Restricted	0	3,733,085	3,733,085
Committed	0	13,283	13,283
Assigned	276,885	0	276,885
Unassigned	13,493,577	(99,444)	13,394,133
Total Fund Balances	13,807,581	3,649,920	17,457,501
Total Liabilities, Deferred Inflows and Fund Balances	\$26,859,300	\$7,222,663	\$34,081,963

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2016

Total Governmental Fund Balance		\$17,457,501
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		63,434,453
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Intergovernmental	\$642,226	
Interest	3,812	
Special Assessments	<u>172,970</u>	
		819,008
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(127,283)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(1,898,469)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		97,901
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$4,602,528	
Deferred inflows of resources related to pensions	<u>(3,386,547)</u>	
		1,215,981
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$29,483,642)	
Other Amounts	<u>(37,187,673)</u>	
		(66,671,315)
Net Position of Governmental Activities		<u>\$14,327,777</u>

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$9,941,634	\$1,305,097	\$11,246,731
Tuition and Fees	790,981	2,480	793,461
Investment Earnings	31,140	2,112	33,252
Intergovernmental	7,003,361	2,455,815	9,459,176
Extracurricular Activities	4,307	204,657	208,964
Revenue in Lieu of Taxes	2,628,348	0	2,628,348
Other Revenues	178,434	316,271	494,705
Total Revenues	20,578,205	4,286,432	24,864,637
Expenditures:			
Current:			
Instruction:			
Regular	8,069,510	79,568	8,149,078
Special	2,655,384	627,314	3,282,698
Vocational	31,823	2,937	34,760
Other	759,854	175,287	935,141
Support Services:			
Pupil	1,282,425	33,994	1,316,419
Instructional Staff	594,659	62,123	656,782
General Administration	60,772	0	60,772
School Administration	1,835,173	0	1,835,173
Fiscal	610,993	26,068	637,061
Operations and Maintenance	1,575,316	24,649	1,599,965
Pupil Transportation	1,545,323	4,172	1,549,495
Central	161,068	3,600	164,668
Operation of Non-Instructional Services	40,441	709,706	750,147
Extracurricular Activities	424,322	254,859	679,181
Payment to Ohio School Facilities Commission	0	0	0
Capital Outlay	21,368	1,687,985	1,709,353
Debt Service:			
Principal Retirement	120,000	940,000	1,060,000
Interest and Fiscal Charges	78,483	1,500,683	1,579,166
Bond Issuance Cost	0	0	0
Total Expenditures	19,866,914	6,132,945	25,999,859
Excess of Revenues Over (Under) Expenditures	711,291	(1,846,513)	(1,135,222)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	9,805	0	9,805
Transfers In	0	20,000	20,000
Transfers (Out)	(20,000)	0	(20,000)
Total Other Financing Sources (Uses)	(10,195)	20,000	9,805
Net Change in Fund Balance	701,096	(1,826,513)	(1,125,417)
Fund Balance - Beginning of Year	13,106,485	5,476,433	18,582,918
Fund Balance - End of Year	\$13,807,581	\$3,649,920	\$17,457,501

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balance - Total Governmental Funds (1,125,417)

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

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

Capital assets used in governmental activities	\$533,332	
Depreciation Expense	<u>(1,885,315)</u>	(1,351,983)

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

District pension contributions	\$1,733,651	
Cost of benefits earned net of employee contributions	<u>(1,523,189)</u>	210,462

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

Interest	936	
Intergovernmental	<u>(502,177)</u>	(501,241)

Repayment of bond principal and current bonds refunded are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,060,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 177

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

Compensated Absences	(\$108,637)	
Amortization of Bond Premium	67,209	
Amortization of Bond Discount	(5,299)	
Amortization of Deferred Charge on Refunding	(3,108)	
Bond Accretion	<u>(141,414)</u>	(191,249)

Change in Net Position of Governmental Activities (\$1,899,251)

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$76,592</u>	<u>\$88,776</u>
Total Assets	<u>76,592</u>	<u>88,776</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>88,467</u>
Total Liabilities	<u>0</u>	<u>\$88,776</u>
Net Position:		
Held in Trust	<u>76,592</u>	
Total Net Position	<u>\$76,592</u>	

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust
Additions:	
Investment Earnings	32
Other	10,414
	<hr/>
Total Additions	10,446
	<hr/>
Deductions:	
Scholarships	12,729
	<hr/>
Total Deductions	12,729
	<hr/>
Change in Net Position	(2,283)
	<hr/>
Net Position - Beginning of Year	78,875
	<hr/>
Net Position - End of Year	<u>\$76,592</u>

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Note 1 – Description of the District

The Three Rivers Local School District, Ohio (the "District") was originally chartered by the Ohio State Legislature. In 1853, state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The District operates under a locally elected five-member Board of Education (the Board) and is responsible for the education of the residents of the District. This Board controls the District's instructional and support facilities staffed by 135 non-certificated personnel and 135 certified teaching and administrative personnel to provide services to students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

Reporting Entity

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District participates in two Jointly Governed Organizations that are further described in the notes to the financial statements.

Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the 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 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 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 District.

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, deferred outflows of resources, 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 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.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

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

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has three agency funds. The Student Managed Activity Agency Fund is used to account for assets and liabilities generated by student managed activities. The Section 125 Agency Fund is used to account for funds that belong to others as a result of outstanding checks over one year old. The OSHAA fund is used as a clearing account to distribute tournament monies to other funds of the school district and to the Ohio High School Athletic Association (OHSAA). The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

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 actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'), and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance year 2017 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Deferred inflows of resources related to pension are reported on the government-wide financial statement of net position. (See Note 9.)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

The School District's investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2016 credited to the General Fund amounted to \$31,140, and \$2,112 in Other Governmental Funds.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Buildings and Improvements	20-80 years
Transportation	10 years
Equipment and Fixtures	5-20 years

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net position.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded for the compensated absences only if they have matured, for example, as a result of employee resignations and retirements.

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.

Fund Balance

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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

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

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

Assigned – resources intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts are intended to be used for specific purposes as approved through the District’s formal purchase order procedure by the Superintendent and the Treasurer. The adoption of the board appropriation resolution is the established policy, which gives the authorization to assign resources for a specific purpose.

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

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Restricted Assets

Restricted assets in the classroom facility construction, building and permanent improvement funds represent equity in pooled cash and investments set aside for retainage payable.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$3,703,773 in restricted net position, none were restricted by enabling legislation.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Accountability

The following funds had a deficit in fund balance:

<u>Other Governmental Funds:</u>	<u>Amounts</u>
Title VI-B Preschool	\$29,084
Title I	22,459
Classroom Size Reduction	8,635
Local Share Classroom Facility Construction	36,117

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 4 – Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

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

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

- (4) Bonds and other obligations of the State of Ohio.
- (5) The Ohio State Treasurer's investment pool (STAROhio).
- (6) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (7) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2016, \$11,124,851 of the District's bank balance of \$13,405,503 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Farm Credit Bank	\$500,113	1.97
Negotiable CD's	\$1,751,662	1.73
Money Market Funds	<u>1,250,284</u>	0.00
Total Fair Value	<u><u>\$3,502,059</u></u>	
Portfolio Weighted Average Maturity		1.15

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2016. All investments of the District are valued using quoted market prices (Level 1 inputs).

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in Federal Farm Credit Bank were rated AA+ by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Money Market Funds and Negotiable CD's were not rated.

Concentration of Credit Risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities. The District has 14% invested in Federal Farm Credit Bank, 50% invested in Money Market Funds and 36% in Negotiable CD's.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true 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. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2017 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2016. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The amount available for advance was \$3,330,000 in the General Fund, \$390,000 in the Debt Service Fund and \$50,000 in Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2016 were based as follows:

	Amount
Public Utility Personal	\$70,601,430
Real Estate	312,393,280
Total	<u>\$382,994,710</u>

Note 6 – Receivables

Receivables at June 30, 2016, consisted of property taxes, accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes and the grant from the Ohio School Facilities Commission. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Note 7 – Capital Assets

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

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$4,084,391	\$316,491	\$0	\$4,400,882
Construction in Progress	647,881	0	647,881	0
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	62,133,562	663,904	0	62,797,466
Transportation	3,350,879	50,358	8,952	3,392,285
Equipment and Fixtures	2,299,840	150,460	0	2,450,300
Totals at Historical Cost	<u>72,516,553</u>	<u>1,181,213</u>	<u>656,833</u>	<u>73,040,933</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,778,020	1,397,230	0	6,175,250
Transportation	1,315,507	358,728	8,952	1,665,283
Equipment and Fixtures	1,636,590	129,357	0	1,765,947
Total Accumulated Depreciation	<u>7,730,117</u>	<u>1,885,315</u>	<u>8,952</u>	<u>9,606,480</u>
Governmental Activities Capital Assets, Net	<u>\$64,786,436</u>	<u>(\$704,102)</u>	<u>\$647,881</u>	<u>\$63,434,453</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$866,895
Special	63,710
Other Instruction	7,313
Support Services:	
Pupil	11,099
Instructional Staff	10,313
School Administration	810
Fiscal	6,104
Operations and Maintenance	101,751
Pupil Transportation	427,010
Central	45,952
Operation of Non-Instructional Services	148,621
Extracurricular Activities	195,737
Total Depreciation Expense	<u>\$1,885,315</u>

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, commercial insurance carriers provided insurance coverage for property, liability, and vehicles. There has been no significant reduction in the coverage in the current fiscal year and settlements have not exceeded insurance coverage in any of the past three fiscal years.

The District also provides life insurance and accidental death and dismemberment coverage to all employees. The amount of coverage per employee varies by bargaining unit. Commercial Life also provides the life insurance coverage for the District. The District pays the State Workers' Compensation System a premium based on a rate per \$1,000 of salaries. This rate is calculated based on accident history and administrative costs.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension. 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.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues

Three Rivers Local School District, Ohio
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a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 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 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$479,625, for fiscal year 2016. Of this amount \$122,010 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five 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.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$1,254,026 for fiscal year 2016.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,835,676	\$22,647,967	\$29,483,643
Proportion Net Pension Prior Measurement Date	0.11121300%	0.08316502%	
Proportion Net Pension Current Measurement Date	<u>0.11979600%</u>	<u>0.08194777%</u>	
Change in Proportionate Share	0.00858300%	-0.0012173%	
Pension Expense	431,037	1,029,873	1,460,910

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

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For The Fiscal Year Ended June 30, 2016

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$106,370	\$1,035,311	\$1,141,681
Net difference between projected and actual earnings on pension plan investments	511,520	1,136,878	1,648,398
Changes in employer proportion and differences between contributions and proportionate share of contributions	82,149	(3,351)	78,798
District contributions subsequent to the measurement date	<u>479,625</u>	<u>1,254,026</u>	<u>1,733,651</u>
Total Deferred Outflows of Resources	<u>\$1,179,664</u>	<u>\$3,422,864</u>	<u>\$4,602,528</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$667,506	\$2,820,471	\$3,487,977
Changes in employer proportion and differences between contributions and proportionate share of contributions	70,501	(54,775)	15,726
Changes in employer proportionate share of net pension liability	<u>(450,333)</u>	<u>333,177</u>	<u>(117,156)</u>
Total Deferred Inflows of Resources	<u>\$287,674</u>	<u>\$3,098,873</u>	<u>\$3,386,547</u>

\$1,733,651 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$61,358	(\$454,479)	(\$393,121)
2017	61,358	(454,479)	(393,121)
2018	60,873	(454,479)	(393,606)
2019	<u>146,627</u>	<u>436,753</u>	<u>583,380</u>
Total	<u>\$330,216</u>	<u>(\$926,684)</u>	<u>(\$596,468)</u>

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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<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	<u>15.00</u>	7.50
 Total	 <u><u>100.00 %</u></u>	

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$9,478,626	\$6,835,676	\$4,610,094

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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.

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$31,459,734	\$22,647,967	\$15,196,303

Note 10 - Post Employment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0.00 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 \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$82,918.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$95,947, and \$57,495, respectively. For fiscal year 2016, 74 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2015 and 2014.

**Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$90,046, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

Note 11 - Long-Term Liabilities

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

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Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

	Rate	Maturity Dates	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Governmental Activities:							
2010 School Improvement Qualified School Construction Bonds	5.21%	09/15/27	\$10,540,000	\$0	(\$750,000)	\$9,790,000	\$755,000
Discount on Qualified School Construction Bonds			(64,910)	0	5,299	(59,611)	0
2010 School Improvement Tax Exempt Current Interest Bonds	2.00-2.75%	12/01/32	770,000	0	(110,000)	660,000	120,000
2010 School Improvement Tax Exempt Capital Appreciation			1,110,000	0	0	1,110,000	0
2010 School Improvement Tax Exempt Accretion of Interest			477,324	126,626	0	603,950	0
Premium on Tax Exempt Current Interest Bonds			672,780	0	(39,002)	633,778	0
2011 Certificate of Participation Current Interest Bonds	2.00-3.25%	12/01/30	2,075,000	0	(120,000)	1,955,000	125,000
2011 Certificate of Participation Capital Appreciation Bonds			90,000	0	0	90,000	0
2011 Certificate of Participation Accretion of Interest			43,361	14,788	0	58,149	0
Premium on Certificate of Participation Current Interest Bonds			48,511	0	(3,404)	45,107	0
2015 Refunding Bonds			21,600,000	0	(80,000)	21,520,000	0
2015 Refunding Bonds Premium			806,103	0	(24,803)	781,300	0
Total Bonds			38,168,169	141,414	(1,121,910)	37,187,673	1,000,000
Net Pension Liability:							
STRS			20,228,611	3,929,216	(1,509,860)	22,647,967	0
SERS			5,628,427	1,247,026	(39,777)	6,835,676	0
Total Net Pension Liability			25,857,038	5,176,242	(1,549,637)	29,483,643	0
Compensated Absences			2,078,760	516,189	(501,384)	2,093,565	452,508
Total Governmental Activities			\$66,103,967	\$5,833,845	(\$3,172,931)	\$68,764,881	\$1,452,508

On September 30, 2010, the District issued \$21,890,000 in School Improvement Build America Bonds for a discount of \$175,120 at an interest rate between 5.11% and 6.37% throughout the life of the bonds. The bonds will mature on 12/1/2047.

On September 30, 2010, the District issued \$11,260,000 in School Improvement Qualified School Construction Bonds for a discount of \$90,020 at an interest rate of 5.21% throughout the life of the bonds. The bonds will mature on 9/15/2027.

On September 30, 2010, the District issued \$2,885,000 in Tax Exempt Current Interest Bonds and \$1,110,000 in Tax Exempt Capital Appreciation Bonds for a net premium of \$858,039 at an interest rate between 2.00% and 2.75% throughout the life of the bonds. The bonds will mature on 12/1/32.

On September 28, 2011, the District issued \$2,310,000 in Certificate of Participation Current Interest Bonds and \$90,000 in Certificate of Participation Capital Appreciation Bonds for a net premium of \$61,276 at an interest rate between 2.00% and 3.25% throughout the life of bonds. The bonds will mature on 12/1/30.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

As a result of participating in these programs, the District will receive interest rebates resulting in a significantly lower coupon rate.

All long term debt payments will be made out of the Debt Service Fund except the 2011 Certificate of Participation Bonds which is paid out of the General Fund. Compensated Absences will be paid out of the General Fund.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$1,000,000	\$1,573,459	\$2,573,459	\$0	\$0	\$0
2018	1,015,000	1,567,559	2,582,559	0	0	0
2019	1,095,000	1,559,978	2,654,978	0	0	0
2020	1,100,000	1,550,991	2,650,991	0	0	0
2021	1,115,000	1,542,297	2,657,297	0	0	0
2022-2026	5,330,000	7,618,145	12,948,145	90,000	190,000	280,000
2027-2031	2,850,000	5,213,311	8,063,311	715,000	2,390,000	3,105,000
2032-2036	3,075,000	4,178,990	7,253,990	395,000	1,675,000	2,070,000
2037-2041	6,180,000	2,974,300	9,154,300	0	0	0
2042-2046	7,655,000	1,491,100	9,146,100	0	0	0
2047-2048	3,510,000	141,800	3,651,800	0	0	0
	<u>\$33,925,000</u>	<u>\$29,411,930</u>	<u>\$63,336,930</u>	<u>\$1,200,000</u>	<u>\$4,255,000</u>	<u>\$5,455,000</u>

Note 12 - Jointly Governed Organizations

Hamilton/Clermont Cooperative Information Technology Center

The Hamilton Clermont County Cooperative Information Technology Center (HCC) is a jointly governed organization consisting of thirty-two school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and institutional functions among districts. Each of the Districts supports HCC and share in a percentage of equity based on the resources provided. HCC is governed by the board of directors consisting of superintendents of the member school boards. The degree of control exercised by any participating district is limited to its representation on the board. The operating budget of HCC is funded by state funds, contributions from each member district based upon a per pupil fee and fees charged for various services.

The individual HCC members are not considered participants having an equity interest as defined by GASB Statement 14 since members have no right to any assets of HCC. Separate financial statements for HCC can be obtained from the HCC administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Great Oaks Career Campuses

The Great Oaks Career Campuses (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a Board consisting of one representative from each participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established under the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of member districts, which includes the students of the District. The District has no ongoing financial interest in or responsibility for Great Oaks. To obtain financial information, write to Great Oaks, 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 13 – Contingencies

Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District..

Grants

The 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

Litigation

The District is not party to any legal proceedings that would have a material effect, if any, on the financial condition of the District.

Note 14 - Required Set-Asides

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

For the fiscal year ended June 30, 2016, the District was not required to set aside funds in the budget reserve set-aside.

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2015	\$0
Current Year Set Aside Requirements	329,626
Qualified Disbursements	(177,390)
Current Year Offsets	(152,236)
Set Aside Reserve Balance as of June 30, 2016	<u>\$0</u>

The excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

Note 15 - Interfund Transactions

Interfund transactions at June 30, 2016, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$924,217	\$0	\$0	\$20,000
Other Governmental Funds	0	924,217	20,000	0
Total All Funds	<u>\$924,217</u>	<u>\$924,217</u>	<u>\$20,000</u>	<u>\$20,000</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 16 – Commitments

Listed below are the District’s outstanding encumbrances at year end:

General Fund	\$196,384
Other Governmental	<u>353,388</u>
Total	<u>\$549,772</u>

Note 17 – 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 government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$37,119	\$2,996	\$40,115
Total Nonspendable	37,119	2,996	40,115
Restricted for:			
Spring Recognition	0	34,856	34,856
Classroom Facilities Maintenance	0	1,039,028	1,039,028
Extracurricular Student Activities	0	81,055	81,055
Vocational Education	0	552	552
Title VI B Preschool	0	967	967
Title I	0	0	0
Food Service Operations	0	299,253	299,253
Debt Service Payments	0	1,727,537	1,727,537
Buildings	0	549,837	549,837
Total Restricted	0	3,733,085	3,733,085
Committed to:			
Permanent Improvements	0	13,283	13,283
Total Committed	0	13,283	13,283
Assigned to:			
Public School Support	85,197	0	85,197
Encumbrances	191,688	0	191,688
Total Assigned	276,885	0	276,885
Unassigned (Deficit)	13,493,577	(99,444)	13,394,133
Total Fund Balance	\$13,807,581	\$3,649,920	\$17,457,501

Note 18 – Implementation of New Accounting Principles

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

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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

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

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

Note 19 – Restatement of Net Position

The restatement of capital assets had the following effect on net position as reported June 30, 2015:

Net position June 30, 2015	\$16,404,149
Adjustments:	
Restatement of Net Capital Assets	<u>(177,121)</u>
Restated Net Position June 30, 2015	<u>\$16,227,028</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.08194777%	0.08316502%	0.08316502%
District's Proportionate Share of the Net Pension Liability	\$22,647,967	\$20,228,611	\$24,031,298
District's Covered-Employee Payroll	\$8,639,964	\$9,150,800	\$9,961,215
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	262.13%	221.06%	241.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

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

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.119796%	0.111213%	0.111213%
District's Proportionate Share of the Net Pension Liability	\$6,835,676	\$5,628,427	\$6,615,464
District's Covered-Employee Payroll	\$4,419,970	\$3,264,285	\$4,090,751
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	154.65%	172.42%	161.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	71.70%	65.52%

(1) - Information prior to 2013 is not available

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

	2016	2015	2014	2013	2012
Contractually Required Contribution	\$1,254,026	\$1,209,595	\$1,189,604	\$1,294,958	\$1,276,804
Contributions in Relation to the Contractually Required Contribution	<u>(1,254,026)</u>	<u>(1,209,595)</u>	<u>(1,189,604)</u>	<u>(1,294,958)</u>	<u>(1,276,804)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$8,957,329	\$8,639,964	\$9,150,800	\$9,961,215	\$9,821,569
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007
\$1,383,007	\$1,367,028	\$1,320,634	\$1,276,762	\$1,200,363
<u>(1,383,007)</u>	<u>(1,367,028)</u>	<u>(1,320,634)</u>	<u>(1,276,762)</u>	<u>(1,200,363)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,638,515	\$10,515,600	\$10,158,723	\$9,821,246	\$9,233,561
13.00%	13.00%	13.00%	13.00%	13.00%

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

	2016	2015	2014	2013	2012
Contractually Required Contribution	\$479,625	\$582,552	\$452,430	\$566,160	\$494,880
Contributions in Relation to the Contractually Required Contribution	<u>(479,625)</u>	<u>(582,552)</u>	<u>(452,430)</u>	<u>(566,160)</u>	<u>(494,880)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$3,425,893	\$4,419,969	\$3,264,285	\$4,090,751	\$3,679,405
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007
\$522,504	\$450,193	\$455,100	\$421,836	\$387,816
(522,504)	(450,193)	(455,100)	(421,836)	(387,816)
\$0	\$0	\$0	\$0	\$0
\$4,156,754	\$3,324,911	\$4,625,000	\$4,295,682	\$3,631,235
12.57%	13.54%	9.84%	9.82%	10.68%

Three Rivers Local School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$11,392,285	\$11,392,285	\$11,276,634	(\$115,651)
Revenue in lieu of taxes	2,655,304	2,655,304	2,628,348	(26,956)
Tuition and Fees	636,256	636,256	629,797	(6,459)
Investment Earnings	26,418	26,418	26,150	(268)
Intergovernmental	7,090,591	7,090,591	7,018,609	(71,982)
Other Revenues	142,199	142,199	140,755	(1,444)
Total Revenues	21,943,053	21,943,053	21,720,293	(222,760)
Expenditures:				
Current:				
Instruction:				
Regular	8,378,127	9,032,916	8,268,968	763,948
Special	2,748,172	2,962,954	2,712,366	250,588
Vocational	32,369	34,898	31,947	2,951
Other	771,751	832,067	761,696	70,371
Support Services:				
Pupil	1,307,823	1,410,035	1,290,783	119,252
Instructional Staff	614,408	662,427	606,403	56,024
General Administration	65,120	70,210	64,272	5,938
School Administration	1,861,189	2,006,649	1,836,939	169,710
Fiscal	607,150	654,601	599,239	55,362
Operations and Maintenance	1,685,886	1,817,645	1,663,920	153,725
Pupil Transportation	1,613,734	1,739,855	1,592,709	147,146
Central	156,796	169,050	154,753	14,297
Operation of Non-Instructional Services	2,536	2,734	2,503	231
Extracurricular Activities	424,196	457,349	418,669	38,680
Capital Outlay	21,650	23,342	21,368	1,974
Debt Service:				
Principal Retirement	121,584	131,086	120,000	11,086
Interest and Fiscal Charges	79,519	85,734	78,483	7,251
Total Expenditures	20,492,010	22,093,552	20,225,018	1,868,534
Excess of Revenues Over (Under) Expenditures	1,451,043	(150,499)	1,495,275	1,645,774
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	9,906	9,906	9,805	(101)
Advances In	8,082	8,082	8,000	(82)
Advances (Out)	(129,033)	(139,118)	(127,352)	11,766
Transfers (Out)	(20,264)	(21,848)	(20,000)	1,848
Total Other Financing Sources (Uses)	(131,309)	(142,978)	(129,547)	13,431
Net Change in Fund Balance	1,319,734	(293,477)	1,365,728	1,659,205
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	9,634,106	9,634,106	9,634,106	0
Fund Balance End of Year	\$10,953,840	\$9,340,629	\$10,999,834	\$1,659,205

See accompanying notes to the required supplementary information.

Three Rivers Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2016

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2016.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

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

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

Three Rivers Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2016

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$701,096
Revenue Accruals	1,142,088
Expenditure Accruals	(162,408)
Transfers (Out)	0
Advances In	8,000
Advances (Out)	(127,352)
Encumbrances	(196,384)
Funds Budgeted Elsewhere	<u>688</u>
Budget Basis	<u><u>\$1,365,728</u></u>

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**THREE RIVERS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through The Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Breakfast Program	N/A	10.553	\$ 70,176
National School Lunch Program	N/A	10.555	<u>291,225</u>
Cash Assistance			361,401
Non-Cash Assistance (Food Distribution)	N/A	10.555	<u>50,341</u>
Total Child Nutrition Cluster			<u>411,742</u>
Total U.S. Department of Agriculture			<u>411,742</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through The Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	2016	84.010	433,791
Title I Grants to Local Educational Agencies	2015	84.010	<u>49,527</u>
Total Title I Grants to Local Educational Agencies			<u>483,318</u>
Special Education Cluster (IDEA):			
Special Education Grants to States	2016	84.027	347,280
Special Education Grants to States	2015	84.027	<u>86,028</u>
Total Special Education Cluster (IDEA):			<u>433,308</u>
Special Education Preschool Grant	2016	84.173	<u>13,261</u>
Total Special Education Preschool Grant			<u>13,261</u>
Total Special Education Cluster (IDEA):			<u>446,569</u>
<i>(Passed Through Great Oaks Institute of Technology and Career Development)</i>			
Career and Technical Education - Basic Grants to States	2016	84.048	3,806
Career and Technical Education - Basic Grants to States	2015	84.048	499
Career and Technical Education - Basic Grants to States	2014	84.048	<u>328</u>
Total Career and Technical Education - Basic Grants to States			<u>4,633</u>
Title II-A Improving Teacher Quality State Grants	2016	84.367	71,542
Title II-A Improving Teacher Quality State Grants	2015	84.367	<u>9,658</u>
Total Title II-A Improving Teacher Quality State Grants			<u>81,200</u>
Total – U.S. Department of Education			<u>1,015,720</u>
Total Federal Expenditures			<u>\$ 1,427,462</u>

**THREE RIVERS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



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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**

December 31, 2016

Three Rivers Local School District
Hamilton County
401 N. Miami Avenue
Cleves, Ohio 45002

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 **Three Rivers Local School District**, Hamilton County (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2016.

Internal Control Over Financial Reporting

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

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

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



... "bringing more to the table"

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •

• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

We noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 31, 2016.

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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

December 31, 2016

Three Rivers Local School District
Hamilton County
401 N. Miami Avenue
Cleves, Ohio 45002

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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



... "bringing more to the table"

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**THREE RIVERS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 Grants to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

THREE RIVERS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 6, 2017