

**TRI-VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

**KIMBERLY CHOWNING, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Tri-Village Local School District  
PO Box 31  
New Madison, Ohio 45346

We have reviewed the *Independent Auditor's Report* of the Tri-Village Local School District, Darke County, prepared by Julian & Grube, Inc., 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 Tri-Village 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

January 23, 2017

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**TRI-VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report .....	<i>i - ii</i>
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis .....	1
Statement of Activities - Cash Basis .....	2
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis	
Governmental Funds .....	3
Statement of Cash Receipts, Disbursements and Changes in Fund Balances -	
Cash Basis - Governmental Funds .....	4
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual -	
Budget Basis - General Fund.....	5
Statement of Fiduciary Net Position - Cash Basis - Fiduciary Funds .....	6
Statement of Changes in Fiduciary Net Position - Cash Basis - Fiduciary Funds.....	7
Notes to the Basic Financial Statements.....	8 - 36
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	37 - 38
Schedule of Findings and Responses.....	39
Status of Prior Audit Findings .....	40



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Tri-Village Local School District  
Darke County  
P.O. Box 31  
New Madison, Ohio 45346

To the Board of Education:

***Report on the Financial Statements***

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

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 Tri-Village Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Tri-Village Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

## Independent Auditor's Report

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Village Local School District, Darke County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the *budgetary* comparison for the General Fund, thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

### *Accounting Basis*

Ohio Administrative Code § 117-2-03 (B) requires the Tri-Village Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, on our consideration of the Tri-Village Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tri-Village Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 23, 2016

**Tri-Village Local School District**  
**Darke County**  
*Statement of Net Position - Cash Basis*  
*June 30, 2016*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,006,807</u>
 <b>Net Position</b>	
Restricted for:	
Debt Service	\$667,912
Other Purposes	420,022
Bus Purchases	57,494
Unrestricted	<u>4,861,379</u>
 <i>Total Net Position</i>	<u><u>\$6,006,807</u></u>

See accompanying notes to the basic financial statements



**Tri-Village Local School District**  
**Darke County**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2016*

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Position
			Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,727,658	\$956,233	\$98,086	\$0
Special	605,000	18,338	115,914	-
Support Services:				
Pupil	485,102	-	152,640	-
Instructional Staff	368,567	-	14,256	-
Board of Education	19,329	-	-	-
Administration	550,656	-	26,968	-
Fiscal	303,379	-	-	-
Operation and Maintenance of Plant	658,831	25,476	-	-
Pupil Transportation	499,691	1,320	-	-
Central	15,240	-	3,600	-
Operation of Non-Instructional Services	469,254	123,626	169,263	-
Extracurricular Activities	442,204	232,098	19,901	37,925
Capital Outlay	1,138,486	-	-	-
Principal Retirement	363,000	-	-	-
Interest and Fiscal Charges	187,297	-	-	-
<i>Total Governmental Activities</i>	<u>\$9,833,694</u>	<u>\$1,357,091</u>	<u>\$600,628</u>	<u>\$37,925</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				2,247,527
Capital Maintenance				33,736
Debt Service				358,428
Income Taxes Levied for General Purposes				1,203,987
Grants and Entitlements not Restricted to Specific Programs				4,521,554
Gifts and Donations not Restricted to Specific Programs				8,250
Energy Conservation Bonds Issued				571,740
Interest				22,456
Miscellaneous				18,719
<i>Total General Receipts</i>				<u>8,986,397</u>
Change in Net Position				1,148,347
<i>Net Position Beginning of Year</i>				<u>4,858,460</u>
<i>Net Position End of Year</i>				<u>\$6,006,807</u>

See accompanying notes to the basic financial statements

**Tri-Village Local School District**  
**Darke County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2016*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,740,906	\$667,912	\$540,495	\$5,949,313
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	57,494	-	-	57,494
<i>Total Assets</i>	<u>\$4,798,400</u>	<u>\$667,912</u>	<u>\$540,495</u>	<u>\$6,006,807</u>
<b>Fund Balances</b>				
Restricted	\$57,511	\$667,912	\$420,022	\$1,145,445
Committed	-	-	120,473	120,473
Assigned	281,894	-	-	281,894
Unassigned	4,458,995	-	-	4,458,995
<i>Total Fund Balances</i>	<u>\$4,798,400</u>	<u>\$667,912</u>	<u>\$540,495</u>	<u>\$6,006,807</u>

See accompanying notes to the basic financial statements

**Tri-Village Local School District**  
**Darke County**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,247,527	\$358,428	\$33,736	\$2,639,691
Income Taxes	1,203,987	-	-	1,203,987
Intergovernmental	4,479,868	48,038	561,785	5,089,691
Interest	20,695	1,761	73	22,529
Tuition and Fees	840,975	-	110,964	951,939
Rent	3,150	-	-	3,150
Extracurricular Activities	58,795	-	174,910	233,705
Contributions and Donations	13,040	-	65,553	78,593
Charges for Services	59	-	123,626	123,685
Miscellaneous	62,963	-	368	63,331
<i>Total Receipts</i>	<u>8,931,059</u>	<u>408,227</u>	<u>1,071,015</u>	<u>10,410,301</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,546,401	-	181,257	3,727,658
Special	491,575	-	113,425	605,000
Support Services:				
Pupil	332,462	-	152,640	485,102
Instructional Staff	354,311	-	14,256	368,567
Board of Education	19,329	-	-	19,329
Administration	546,615	-	4,041	550,656
Fiscal	293,875	8,705	799	303,379
Operation and Maintenance of Plant	607,311	-	51,520	658,831
Pupil Transportation	486,825	-	12,866	499,691
Central	11,640	-	3,600	15,240
Operation of Non-Instructional Services	207,395	-	261,859	469,254
Extracurricular Activities	215,535	-	226,669	442,204
Capital Outlay	566,746	-	571,740	1,138,486
Debt Service:				
Principal Retirement	53,000	310,000	-	363,000
Interest and Fiscal Charges	89,647	97,650	-	187,297
<i>Total Disbursements</i>	<u>7,822,667</u>	<u>416,355</u>	<u>1,594,672</u>	<u>9,833,694</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,108,392</u>	<u>-8,128</u>	<u>-523,657</u>	<u>576,607</u>
<b>Other Financing Sources (Uses)</b>				
Energy Conservation Bonds Issued	<u>0</u>	<u>0</u>	<u>571,740</u>	<u>571,740</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>571,740</u>	<u>571,740</u>
<i>Net Change in Fund Balances</i>	1,108,392	-8,128	48,083	1,148,347
<i>Fund Balances Beginning of Year</i>	<u>3,690,008</u>	<u>676,040</u>	<u>492,412</u>	<u>4,858,460</u>
<i>Fund Balances End of Year</i>	<u>\$4,798,400</u>	<u>\$667,912</u>	<u>\$540,495</u>	<u>\$6,006,807</u>

See accompanying notes to the basic financial statements

**Tri-Village Local School District**  
**Darke County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$2,211,622	\$2,211,622	\$2,247,527	\$35,905
Income Taxes	1,150,000	1,150,000	1,203,987	53,987
Intergovernmental	3,630,260	3,989,260	4,479,868	490,608
Interest	7,000	7,000	20,695	13,695
Tuition and Fees	683,000	683,000	802,787	119,787
Rent	3,000	3,000	3,150	150
Contributions and Donations	15,000	15,000	10,250	(4,750)
Charges for Services	-	-	59	59
Miscellaneous	10,000	10,000	39,731	29,731
<i>Total Receipts</i>	<u>7,709,882</u>	<u>8,068,882</u>	<u>8,808,054</u>	<u>739,172</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,494,155	3,583,605	3,508,773	74,832
Special	506,889	508,989	492,376	16,613
Support Services:				
Pupil	308,785	348,085	332,993	15,092
Instructional Staff	298,705	380,355	356,166	24,189
Board of Education	26,225	26,225	19,329	6,896
Administration	588,240	588,240	551,490	36,750
Fiscal	304,010	310,110	294,011	16,099
Operation and Maintenance of Plant	631,746	678,411	611,927	66,484
Pupil Transportation	464,123	528,623	491,039	37,584
Central	16,156	16,156	11,640	4,516
Operation of Non-Instructional Services	213,708	215,408	207,700	7,708
Extracurricular Activities	160,639	163,854	157,482	6,372
Capital Outlay	481,455	806,455	773,518	32,937
Debt Service:				
Principal Retirement	53,000	53,000	53,000	-
Interest and Fiscal Charges	89,647	89,647	89,647	-
<i>Total Disbursements</i>	<u>7,637,483</u>	<u>8,297,163</u>	<u>7,951,091</u>	<u>346,072</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>72,399</u>	<u>-228,281</u>	<u>856,963</u>	<u>1,085,244</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	40,000	40,000	20,766	(19,234)
Transfers Out	(10,000)	(10,000)	(10,000)	-
Refund of Prior Year Receipts	(5,000)	(5,000)	-	5,000
<i>Total Other Financing Sources (Uses)</i>	<u>25,000</u>	<u>25,000</u>	<u>10,766</u>	<u>-14,234</u>
<i>Net Change in Fund Balance</i>	97,399	-203,281	867,729	1,071,010
<i>Fund Balance Beginning of Year</i>	3,488,294	3,488,294	3,488,294	-
Prior Year Encumbrances Appropriated	160,472	160,472	160,472	-
<i>Fund Balance End of Year</i>	<u>\$3,746,165</u>	<u>\$3,445,485</u>	<u>\$4,516,495</u>	<u>\$1,071,010</u>

See accompanying notes to the basic financial statements

**Tri-Village Local School District**  
**Darke County**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2016*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,756	\$42,231
<b>Liabilities</b>		
Due to Students	\$0	\$42,231
<b>Net Position:</b>		
Held in Trust for Scholarship	\$4,756	

See accompanying notes to the basic financial statements

**Tri-Village Local School District**  
**Darke County**

*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2016*

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	<u>\$4,261</u>
<b>Deductions</b>	
Scholarships	<u>700</u>
Change in Net Position	3,561
Net Position - Beginning of Year	<u>1,195</u>
Net Position - End of Year	<u><u>\$4,756</u></u>

See accompanying notes to the basic financial statements

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 1 - Description of the School District and Reporting Entity**

The Tri-Village Local School District (The School District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it. A locally-elected five-member Board governs the School District, which provides educational services mandated by the State and federal agencies.

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The Board of Education controls the School District's instructional building and administrative building which are staffed by 29 classified employees and 56 certificated full-time personnel who provide services to 737 students.

***A. Primary Government***

The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Tri-Village Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

***B. Component Units***

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District, and are significant in amount to the School District. The School District has no component units.

The School District participates in three jointly governed organizations, one related organization and three insurance purchasing pools. Note 13 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

- META Solutions
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association

Related Organization:

- New Madison Public Library

Insurance Purchasing Pools:

- SOEPC Workers' Compensation Group Rating Plan
- SOEPC Medical Benefits Plan
- SOEPC Property, Fleet and Liability Insurance Program

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

***A. Basis of Presentation***

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

***Government-wide Financial Statements:***

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

***Fund Financial Statements:***

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



**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (Continued)

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

***Governmental:*** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

***General Fund*** The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

***Bond Retirement Fund*** The bond retirement fund accounts for the accumulation of resources received from property taxes for the payment of school improvement general obligation bond principal, interest and related costs.

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

***Fiduciary Funds:*** Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The School District's fiduciary funds include private purpose trust funds and an agency fund. Trust funds account for assets the School District holds under trust agreements for individuals, private organizations, or other governments and are not available to support the School District's own programs. The agency fund, which is custodial in nature, is where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

***C. Basis of Accounting***

The School District's financial statements are prepared using the basis of cash accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (Continued)

***D. Cash, Cash Equivalents and Investments***

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments of the cash management pool and investments with an original maturity of three months or less when purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investment are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts (contra revenue), respectively.

The School District invested funds in certificates of deposit and STAR Ohio during fiscal year 2016.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based upon quoted market prices. Nonparticipating investment contracts, such as certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 was \$20,695, including \$4,673 assigned from other School District funds.

***E. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted cash and investments in the General Fund unexpended revenues restricted for the purchase of school buses. See note 12 for additional information regarding set-asides.

***F. Inventory and Prepaid Items***

On the cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (Continued)

***G. Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

***H. Interfund Receivables/Payables***

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

***I. Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

***J. Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

***K. Long-term Obligations***

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are recorded at inception. Lease payments are reported when paid.

***L. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

***M. Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources for food service operations, classroom facilities, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any assets restricted by enabling legislation at June 30, 2016.

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (Continued)

***N. Interfund Transactions***

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

***O. Budgetary Data***

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the object level within each fund and function as its legal level of control. Budgetary allocations at the object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

**Note 3 - Deposits and Investments**

***Investment Policies***

State statues require the classification of the monies held by the School District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 3 - Deposits and Investments** (Continued)

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

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

Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts. Interim monies are to be deposited or invested in the following securities:

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

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 3 - Deposits and Investments** (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$5,267,658 and the bank balance was \$5,301,223. \$500,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2016, \$4,801,223 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

***Investments***

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used 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 School District had the following investment at fiscal year-end:

The School District investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, had a fair value of \$55,982 at June 30, 2016. (Level 1)

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 3 - Deposits and Investments** (Continued)

*Interest Rate Risk* – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District’s investment policy does not further limit its investment choices. The average days to maturity of the STAR Ohio portfolio at June 30, 2016, was 48.6 days.

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District’s investment policy does not further limit its investment choices. Standard & Poor’s rates the School District’s investment in STAR Ohio AAAM.

*Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee.

If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

*Concentration of Credit Risk* - The School District places no limits on the amount the School District may invest in any one issuer. The School District’s investments consist solely of investments in STAR Ohio.

**Note 4 - Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.



**Tri-Village Local School District  
Darke County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

**Note 4 - Property Taxes** (Continued)

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

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

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$106,689,640	88.5 %	\$106,688,710	86.7 %
Public Utility Personal	13,835,610	11.5 %	16,366,150	13.3 %
Total	\$120,525,250	100.0 %	\$123,054,860	100.0 %
Tax rate per \$1,000 of assessed valuation	\$31.63		\$31.38	

**Note 5 - Income Tax**

The School District levies a voted tax of one and one-half percent for general operations on the income of residents and of estates. The original one percent tax was effective on January 1, 1991, and is a continuing tax. In May 1999, the voters of the School District approved an increase of one-half percent for a total continuing income tax of one and one-half percent, effective January 1, 2000. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 6 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, the School District participated in the Southwestern Ohio EPC Liability, Fleet and Property Insurance program administered by Arthur J. Gallagher Risk Management Services, Inc.

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 6 - Risk Management** (Continued)

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$39,179,906
Boiler & Machinery (\$3,500 deductible)	250,000,000
Crime (\$5,000 deductible)	500,000
Automobile Liability (per occurrence, \$1,000 deductible)	1,000,000
Medical Payments Occurrence/Aggregate	5,000
Education General Liability:	
Occurrence	1,000,000
Aggregate	3,000,000
Employee Benefit Liability	
Occurrence	1,000,000
Aggregate	3,000,000
School Board Legal Liability (\$10,000 deductible)	1,000,000
Umbrella Policy/Excess Liability	5,000,000
Excess Property	
Occurrence	350,000,000
Annual Aggregate	25,000,000
Crisis Response Coverage	
Occurrence	50,000
Aggregate	300,000
Site Pollution Incident (\$25,000 deductible)	1,000,000
Cyber/Identity Theft	1,000,000

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

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund."

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 6 - Risk Management** (Continued)

***B. Workers' Compensation***

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

***C. Employee Medical Benefits***

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**Note 7 - Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

**Tri-Village Local School District  
Darke County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

**Note 7 - Defined Benefit Pension Plans** (continued)

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

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund).

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 7 - Defined Benefit Pension Plans** (continued)

For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent.

The School District's contractually required contribution to SERS was \$143,179 for fiscal year 2016.

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

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

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

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

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

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 7 - Defined Benefit Pension Plans** (continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$438,162 for fiscal year 2016.

***Net Pension Liability***

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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,812,216	\$7,727,285	\$9,539,501
Proportion of the Net Pension Liability	0.031759%	0.0279599%	

**Tri-Village Local School District  
Darke County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

**Note 7 - Defined Benefit Pension Plans** (continued)

***Actuarial Assumptions - SERS***

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 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:

**Tri-Village Local School District  
Darke County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

**Note 7 - Defined Benefit Pension Plans** (continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,512,893	\$1,812,216	\$1,222,189

**Actuarial Assumptions - STRS**

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

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



**Tri-Village Local School District  
Darke County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

**Note 7 - Defined Benefit Pension Plans** (continued)

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

Actuarial assumptions used in the June 30, 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:

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 7 - Defined Benefit Pension Plans** (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$10,733,781	\$7,727,285	\$5,184,844

**Note 8 - Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB (other post-employment benefits) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

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

The ORC provides the statutory authority to fund SERS’ postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is 0 percent.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$15,797, \$23,662, and \$16,688, respectively; 64 percent has been contributed for fiscal year 2016 and 100 percent for fiscal years 2015 and 2014.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 8 - Postemployment Benefits** (continued)

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

***B. State Teachers Retirement System of Ohio***

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$27,853, respectively; 100 percent for fiscal years 2016, 2015 and 2014.

**Note 9 - Leases**

During fiscal year 2003, the School District entered into a lease-purchase agreement for the renovation and construction of additions to the high school that began in fiscal year 2004. The School District is leasing the project additions from the Columbus Regional Airport Authority. The Columbus Regional Airport Authority assigned U.S. Bank as trustee, transferring rights, title, and interest in the project to the trustee.

During fiscal year 2002, the School District entered into a lease-purchase agreement for the renovation and construction of the additions to the high school. The School District is leasing the project site from Rickenbacker Port Authority. Rickenbacker Port Authority assigned U.S. Bank as trustee, transferring rights, title, and interest in the project to the trustee. The School District is acting as an agent for the lessor and is constructing the facilities and improvements from the proceeds provided by the lessor for both of the above leases.

As part of the agreements, U.S. Bank deposited \$1,221,000 and \$630,000, respectively, with a fiscal agent for the building lease. The School District will make semi-annual lease payments to U.S. Bank for both of the above leases. The leases are renewable annually and expire in fiscal year 2032. The intention of the School District is to renew the leases annually. The lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$126,452.

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 9 - Leases** (Continued)

The following is a schedule of the future minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2016:

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$126,321
2018	125,273
2019	125,014
2020	124,651
2021	123,944
2022-2026	615,448
2027-2031	601,889
2032	119,193
Total	<u>1,961,733</u>
Less: Amount Representing Interest and fees	<u>(649,733)</u>
Present Value of Minimum Lease Payments	<u>\$1,312,000</u>

**Note 10 – Long-Term Liabilities**

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	<u>Amount Outstanding 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/16</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities</b>					
2001 School Improvement Bonds	\$275,000	\$0	(\$275,000)	\$0	\$0
2010 School Facilities Refunding Bonds	2,590,000	-	(35,000)	2,555,000	45,000
Capital Leases	1,365,000	-	(53,000)	1,312,000	56,000
2015 Energy Conservation Bonds	-	571,740	-	571,740	37,500
Total Long Term Liabilities	<u>\$ 4,230,000</u>	<u>\$ 571,740</u>	<u>\$ (363,000)</u>	<u>\$ 4,438,740</u>	<u>\$ 138,500</u>

The School Facilities Construction and Improvement Bonds were issued April 10, 2001, for the purpose of constructing additions to and renovating and improving the existing junior-senior high school and to house grades k-12, including multi-purpose facilities for school and community use, along with health and safety upgrades and improving access for the disabled. The original bond issue was for \$5,710,000. The interest rate on the bonds is 3.40%-5.80%. The bonds will mature December 1, 2023, and will be retired from the Bond Retirement Debt Service Funds.

On December 1, 2009, the School District issued \$2,980,000 in School Facilities Construction and Improvement Refunding Bonds. Of the \$2,980,000 bonds issued, \$2,795,000 is serial bonds with interest rates ranging from 2% to 4% and a final maturity December 1, 2023, \$135,000 is term bonds with an interest rate of 2.75% maturing December 1, 2015, and \$50,000 are capital appreciation bonds with a maturity value of \$325,000 on December 1, 2016.

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 10 – Long-Term Liabilities** (Continued)

On July 20, 2015, the School District issued \$571,740 in energy conservation bonds. The interest rate on the bonds is 3.30% with a final maturity December 1, 2029. The debt will be retired from the General Fund with savings obtained on energy costs.

At June 30, 2016, the School District’s overall legal debt margin was \$9,187,849, an energy conservation debt margin of \$535,754, and an un-voted debt margin of \$123,055. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Energy Conservation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 45,000	\$ 369,263	\$ 414,263	\$ 37,500	\$ 18,249	\$ 55,749
2018	325,000	84,225	409,225	38,000	17,003	55,003
2019	335,000	73,828	408,828	38,500	15,741	54,241
2020	345,000	62,603	407,603	39,000	14,462	53,462
2021	355,000	50,525	405,525	39,500	13,167	52,667
2022-2027	1,150,000	90,735	1,240,735	205,000	45,827	250,827
2028-2030	-	-	-	174,240	11,627	185,867
Total	<u>\$ 2,555,000</u>	<u>\$ 731,179</u>	<u>\$ 3,286,179</u>	<u>\$ 571,740</u>	<u>\$ 136,076</u>	<u>\$ 707,816</u>

**Note 11 – Fund Balance**

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 governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Tri-Village Local School District  
Darke County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

**Note 11 – Fund Balance (Continued)**

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations	\$ -	\$ -	\$ 75,213	\$ 75,213
Title I	-	-	2,489	2,489
Classroom Maintenance	-	-	283,412	283,412
Athletics	-	-	54,609	54,609
Believe in Ohio Grant	-	-	4,155	4,155
Debt Service	-	667,912	-	667,912
Public School Preschool	-	-	144	144
Natural Resource Grant	17	-	-	17
Bus Purchases	57,494	-	-	57,494
<b>Total Restricted</b>	<b>57,511</b>	<b>667,912</b>	<b>420,022</b>	<b>1,145,445</b>
Committed to:				
Outdoor Athletic Complex	-	-	30,420	30,420
Wee Patriots Preschool	-	-	90,053	90,053
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>120,473</b>	<b>120,473</b>
Assigned for:				
Unpaid Obligations	224,314	-	-	224,314
Public School Support	38,284	-	-	38,284
School Supplies	19,296	-	-	19,296
<b>Total Assigned</b>	<b>281,894</b>	<b>-</b>	<b>-</b>	<b>281,894</b>
Unassigned	4,458,995	-	-	4,458,995
<b>Total Fund Balance</b>	<b>\$ 4,798,400</b>	<b>\$ 667,912</b>	<b>\$ 540,495</b>	<b>\$ 6,006,807</b>

**Note 12 - Set-Aside Calculations**

State statute annually requires the School District set aside in the general fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital acquisition. State statute requires disclosing this information.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	136,244
Qualifying Disbursements	(85,926)
Current Year Offsets	(50,318)
<b>Totals</b>	<b>\$0</b>
Set-aside Balances Carried Forward to Future Fiscal Years	<b>\$7,673,760</b>

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 12 - Set-Aside Calculations** (continued)

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside. The negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Capital Improvement Fund property tax receipts.

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During fiscal years 2001 and 2010, the District issued \$5,701,000 and \$2,980,000 respectively, in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$7,673,760 at June 30, 2016.

In addition to the above statutory set-aside, the District also has \$57,494 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2016 follows:

Amount restricted for school bus purchases	<u>\$ 57,494</u>
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**Note 13 - Jointly Governed Organizations, Related Organization and Insurance Purchasing Pools**

***A. Jointly Governed Organizations***

*META Solutions* – The School District is a participant in the META Solutions, which is a computer consortium. META is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of META consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid META \$13,497 for services provided during the fiscal year. Financial information can be obtained from Chris Knodel, who serves as Site Director, at 225 Linwood Street, Dayton, Ohio 45405.

*Southwestern Ohio Education Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 153 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 13 - Jointly Governed Organizations, Related Organization and Insurance Purchasing Pools**  
(Continued)

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2016, the School District paid \$586 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

*Southwestern Ohio Instructional Technology Association* - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area.

One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2016, the School District contributed \$250 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 E. Fifth Street, Dayton, OH 45402.

***B. Related Organization***

*New Madison Public Library* – The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri-Village Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any contributions to the New Madison Public Library during fiscal year 2016. Financial information can be obtained from the New Madison Public Library, Kimberly Chowning, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45346.



**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 13 - Jointly Governed Organizations, Related Organization and Insurance Purchasing Pools**  
(Continued)

***C. Insurance Purchasing Pools***

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan* - The School District participates in the Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Southwestern Ohio Educational Purchasing Council Medical Benefits Plan* – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by a six member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program. During fiscal year 2016, the School District paid \$793,173 for medical benefits.

*Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program* – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2016, the School District paid \$31,281 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Note 14 - Contingencies**

***A. Grants***

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

***B. Litigation***

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

**Tri-Village Local School District**  
**Darke County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 14 – Contingencies** (Continued)

**C. 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 instructions, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District.

**Note 15 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 1,108,392
Encumbrances	(224,314)
Perspective Differences	<u>(16,349)</u>
Budgetary Basis	<u><u>\$ 867,729</u></u>

**Note 16 – Contractual Commitments**

The School District had the following contractual commitments at June 30, 2016:

Vendor	Contract Amount	Payments	Contract Remaining
Outdoor Aluminum	\$197,725	\$0	\$197,725
M&S Flooring, Inc.	23,607	0	23,607

**Tri-Village Local School District**  
**Darke County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 17 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**Note 18 – Change in Accounting Principles**

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” This statement addresses accounting and financial reporting issues related to the fair value of investments. This statement had no effect on net assets or fund balances. Additional disclosures required by the statement can be found in the notes to the financial statements.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board 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.” This establishes requirements for defined benefit pension systems that are not within the scope of GASB Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statements 67 and 68. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for state and Local Governments.” This statement 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. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.” The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board and Statement No. 79, “Certain External Investment Pools and Pool Participants.” This statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement had no effect on net assets or fund balances.

**Note 19 – Subsequent Event**

The School District assessed events occurring subsequent to June 30, 2016, to August 3, 2016, for potential recognition and disclosure in the financial statements. No events were identified that would require adjustment to or disclosure in the financial statements.



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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***

Tri-Village Local School District  
Darke County  
P.O. Box 31  
New Madison, Ohio 45346

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Village Local School District, Darke County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Tri-Village Local School District's basic financial statements and have issued our report thereon dated November 23, 2016, wherein we noted the Tri-Village Local School District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

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

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

Board of Education  
Tri-Village Local School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Tri-Village Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2016-001.

***Tri-Village Local School District's Response to Findings***

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

***Purpose of this Report***

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



Julian & Grube, Inc.  
November 23, 2016

**TRI-VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2016-001

Ohio Rev. Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

*Client Response:* The District is aware of the requirements to file financial statements in accordance with GAAP; however, after performing a cost-benefit analysis, the District has elected to prepare its financial statements utilizing the cash basis of accounting.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</b>
2015-001	Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The District prepared its annual financial report in accordance with the cash basis of accounting.	No	Repeated as finding 2016-001

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# Dave Yost • Auditor of State

TRI VILLAGE LOCAL SCHOOL DISTRICT

DARKE 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  
FEBRUARY 7, 2017