



Dave Yost • Auditor of State

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ada Exempted Village School District
Hardin County
725 West North Avenue
Ada, Ohio 45810

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ada Exempted Village School District, Hardin County, Ohio (the District), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2.A 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ada Exempted Village School District, Hardin County, Ohio, as of June 30, 2015, 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.A.

Accounting Basis

Ohio Administrative Code § 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. We draw attention to Note 2.A 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2015, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Information

We applied no procedures to Management's Discussion & Analysis listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 9, 2015

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The discussion and analysis of the Ada Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- General Receipts accounted for \$8,393,353, or 79.94% of all revenues.
- Total program expenses were \$9,825,450.
- In total, the District's net position increased \$674,382 for fiscal year 2015.

Using this Annual Report

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

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2015, the General Fund, the Debt Service Fund and the Permanent Improvement Fund are the most significant funds.

Basis of Accounting

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the assets reported on this cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question.

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

In the Statement of Net Position and the Statement of Activities, all of the District activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, food services (operation of non-instructional services), extracurricular activities, capital outlay and debt disbursements.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds include the General Fund, the Debt Service Fund and the Permanent Improvement Fund.

Governmental Funds – The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as private purpose trust funds. The District also acts in a trustee capacity as an agent for other funds. These activities are reported in agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 18 and 19, respectively. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The District as a Whole

The financial statements were prepared on the cash basis utilizing the GASB Statement No. 34 format.

Table 1 provides a summary of the District's net position for fiscal year 2015, as compared to fiscal year 2014:

(Table 1)
Net Position – Cash Basis

| | Governmental Activities 2015 | Governmental Activities 2014 |
|---|---|---|
| Assets | | |
| Cash & Cash Equivalents | \$3,890,630 | \$3,216,248 |
| Cash & Cash Equivalents with Escrow Agent | 9,000 | 9,000 |
| Total Assets | 3,899,630 | 3,225,248 |
| Net Position: | | |
| Restricted: | | |
| Capital Projects | 497,382 | 631,073 |
| Debt Service | 504,675 | 478,368 |
| Permanent Fund: | | |
| Non-expendable | 3,433 | 3,433 |
| Expendable | 3,064 | 3,057 |
| Other Purposes | 519,502 | 597,531 |
| Unrestricted | 2,371,574 | 1,511,786 |
| Total Net Position | \$3,899,630 | \$3,225,248 |

Table 2 shows the changes in net position for fiscal year 2015, as compared to fiscal year 2014.

(Table 2)
Change in Net Position – Cash Basis

| | Governmental Activities 2015 | Governmental Activities 2014 |
|--|---|---|
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services | \$ 876,223 | \$ 847,514 |
| Operating Grants, Contributions and Interest | 1,228,680 | 1,222,153 |
| Capital Grants, Contributions and Interest | 1,076 | 914 |
| General Receipts: | | |
| Property Taxes | 2,690,389 | 2,557,152 |
| Income Taxes | 1,461,607 | 998,806 |
| Grants and Entitlements not Restricted to Specific Programs | 4,171,119 | 4,107,025 |
| Proceeds from the Sale of Capital Assets | | |
| Insurance Proceeds | 0 | 5,814 |
| Interest | 7,481 | 7,273 |
| Miscellaneous | 63,257 | 40,602 |
| Total Receipts | 10,499,832 | 9,787,253 |

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

(Table 2)
Change in Net Position – Cash Basis
(Continued)

| | Governmental Activities 2015 | Governmental Activities 2014 |
|---|---|---|
| Disbursements: | | |
| Program Disbursements: | | |
| Instruction: | | |
| Regular | 4,492,090 | 4,276,098 |
| Special | 837,791 | 821,673 |
| Vocational Education | 97,063 | 94,756 |
| Other | 71,489 | 66,489 |
| Support Services: | | |
| Pupil | 410,982 | 397,568 |
| Instructional Staff | 162,155 | 187,486 |
| Board of Education | 21,425 | 18,024 |
| Administration | 688,569 | 678,035 |
| Fiscal | 305,896 | 289,746 |
| Operation and Maintenance of Plant | 895,563 | 750,102 |
| Pupil Transportation | 306,385 | 381,662 |
| Central | 74,142 | 47,631 |
| Operation of Non-Instructional Services: | | |
| Food Services | 299,744 | 317,501 |
| Shared Services | 16,764 | 14,231 |
| Extracurricular Activities | 340,104 | 301,923 |
| Capital Outlay | 166,345 | 64,778 |
| Repayment of Debt | 638,943 | 630,880 |
| Total Disbursements | 9,825,450 | 9,338,583 |
| Increase in Net Position | \$674,382 | \$448,670 |

The school foundation program is the largest source of funding for the District, providing approximately \$4.1 million in 2015 and 2014. Property tax levies generated approximately \$2.7 million in 2015, while the income tax levy generated over \$1.4 million.

Governmental Activities

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

**(Table 3)
Governmental Activities**

| | 2015 | | 2014 | |
|---|--------------------------|------------------------|--------------------------|------------------------|
| | Total Cost Of Service | Net Cost Of Service | Total Cost Of Service | Net Cost Of Service |
| Instruction: | | | | |
| Regular | \$4,492,090 | \$3,848,191 | \$4,276,098 | \$3,657,262 |
| Special | 837,791 | 60,465 | 821,673 | 45,335 |
| Vocational Education | 97,063 | 71,037 | 94,756 | 68,964 |
| Other | 71,489 | 71,489 | 66,489 | 66,489 |
| Support Services: | | | | |
| Pupil | 410,982 | 410,982 | 397,568 | 397,568 |
| Instructional Staff | 162,155 | 135,800 | 187,486 | 135,980 |
| Board of Education | 21,425 | 21,425 | 18,024 | 18,024 |
| Administration | 688,569 | 688,569 | 678,035 | 678,035 |
| Fiscal | 305,896 | 287,512 | 289,746 | 271,362 |
| Operation and Maintenance of Plant | 895,563 | 887,766 | 750,102 | 736,600 |
| Pupil Transportation | 306,385 | 122,317 | 381,662 | 234,732 |
| Central | 74,142 | 74,142 | 47,631 | 47,631 |
| Operation of Non-Instructional Services: | | | | |
| Food Services | 299,744 | (3,376) | 317,501 | 7,890 |
| Shared Services | 16,764 | (107) | 14,231 | 323 |
| Extracurricular Activities | 340,104 | 239,047 | 301,923 | 207,063 |
| Capital Outlay | 166,345 | 165,269 | 64,778 | 63,864 |
| Repayment of Debt | 638,943 | 638,943 | 630,880 | 630,880 |
| Total Disbursements | <u>\$9,825,450</u> | <u>\$7,719,471</u> | <u>\$9,338,583</u> | <u>\$7,268,002</u> |

Instruction comprised 56.0% of total governmental program expenses. Interest expense was approximately 3.7% of the total governmental expenses and was attributable to the outstanding bonds. Fiscal and administration charges were 10.1% of total governmental program expenses. Fiscal and administrative expenses include fees withheld from property tax receipts by the County Auditor(s) for administrative costs, other administrative services provided to the District, and other operational expenses of the Treasurer's office. Pupil transportation and the operation/maintenance of facilities accounts for 12.2% of governmental program expenses.

The dependence upon tax revenues, property and income, for governmental activities is apparent.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's governmental funds reported a combined fund cash balance of \$3,899,630, which is \$674,382 above last year's total of \$3,225,248.

General Fund

The General Fund, the District's largest major fund, had cash receipts of \$8,729,961 in 2015. The cash disbursements of the general fund, totaled \$7,874,542 in 2015. The General Fund's cash balance increased \$855,419 from 2014 to 2015, which was due to increasing revenues at a rate higher than the increase of expenditures received for the year.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Debt Service

The Debt Service Fund, a District Major fund had cash receipts of \$678,966 and cash disbursements of \$652,659 in 2015. The Debt Service Fund cash balance increased \$26,307 from 2014 to 2015 primarily due to an increase in property tax receipts.

Permanent Improvement Fund

The Permanent Improvement Fund, a District major fund, had cash receipts of \$269,969 in 2015. The Permanent Improvement Fund had cash disbursements of \$402,534 in 2015. The Permanent Improvement Fund cash balance decreased \$132,565 from 2014 to 2015 primarily due to increased spending.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the District did not significantly modify its General Fund appropriations. The District uses budgeting systems that are designed to control budgets but provide flexibility for management.

For the General Fund, budget basis revenue, before other financing sources, was \$158,078 over the final budget estimates of \$8,571,883. This \$158,078 increase is primarily attributable to variances in property taxes and income tax receipts. The property tax increase is due to the January 2015 update in property values in Hardin County. CAUV values rose sharply at a total increase of 66% based upon yield information, crop prices, non-land production costs and capitalization rates. The March 2015 real estate payment was the first payment to be affected by the January 2015 property value update. In addition, the income tax variance of \$173,508 is primarily due to the improved economy and the fact that fiscal year 2015 is the first fiscal year that included the new 0.75% income tax levy which began January 1, 2014. The district predicted a 29% increase from fiscal year 2014. In reality, the increase was 46%. The decrease in intergovernmental revenues is directly attributed to the anticipated State Foundation revenue, partially due to a change in formula as well as decreased enrollment. This difference translates into a \$163,485 budget variance for intergovernmental revenue. Budget basis actual disbursements, before transfers, were \$427,029 under the final budget estimates of \$8,335,979. This decrease is mostly attributable to lower than anticipated regular and special education instruction costs and operation and maintenance service costs. In addition, administration costs and pupil transportation were lower than expected.

Capital Assets and Debt Administration

Capital Assets

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements (see note 15). For fiscal year 2015, this amounted to \$155,939 for capital set aside.

Debt

In 2002, the District passed a bond issue providing \$7.85 million for the purpose of an Ohio School Facilities Commission (OSFC) project for a new K-12 building with an auditorium. The District was funded by the OSFC at 73% for their portion of the project. At June 30, 2015, the District's outstanding bond debt totals \$4,853,350. In April 2012, the School District refunded \$5,229,997 of outstanding 2002 School Facilities and Improvement Bonds. Further information on these debt instruments can be found at Note 11 in the notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Current Operating Issues

The District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last operating levy was passed by the residents of the district in May 2013 (beginning January 1, 2014), as a seven year new .75% income tax.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later, the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 25.62% of revenues for governmental activities for the District in fiscal year 2015, as compared to 26.13% in fiscal year 2014.

The District has also been affected by income instability and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that every attempt is made not to seek additional operating levies from the voters. This has been made increasingly difficult with rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance. Therefore, the District presented a new .75% income tax levy to the voters in May 2013 (beginning January 1, 2014) in order to offset these increased expenses. The new levy passed and the district received a partial collection in fiscal year 2014 and a full year of collection in fiscal year 2015.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. In addition, the District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's fiscal accountability. If you have any questions about this report or need additional financial information, contact Christy Beaschler, Treasurer of Ada Exempted Village School District, 725 W. North Avenue, Ada, OH 45810 or beaschlerc@adabulldogs.org.

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and cash equivalents | \$3,890,630 |
| Cash and cash equivalents with Escrow Agent | 9,000 |
| Total Assets | <u>\$3,899,630</u> |
| | |
| Net Position: | |
| Restricted for: | |
| Capital Projects | 497,382 |
| Debt Service | 504,675 |
| Permanent Fund: | |
| Non-expendable | 3,433 |
| Expendable | 3,064 |
| Other Purposes | 519,502 |
| Unrestricted | 2,371,574 |
| Total Net Position | <u>\$3,899,630</u> |

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position | |
|---|-----------------------|-----------------------------------|--|--|---------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants, Contributions and Interest | Total |
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$4,492,090 | \$607,868 | \$36,031 | | (\$3,848,191) |
| Special | 837,791 | 24,557 | 752,769 | | (60,465) |
| Vocational Education | 97,063 | 4,224 | 21,802 | | (71,037) |
| Other | 71,489 | | | | (71,489) |
| Support Services: | | | | | |
| Pupil | 410,982 | | | | (410,982) |
| Instructional Staff | 162,155 | | 26,355 | | (135,800) |
| Board of Education | 21,425 | | | | (21,425) |
| Administration | 688,569 | | | | (688,569) |
| Fiscal | 305,896 | | 18,384 | | (287,512) |
| Operation and Maintenance of Plant | 895,563 | 3,235 | 4,562 | | (887,766) |
| Pupil Transportation | 306,385 | | 184,068 | | (122,317) |
| Central | 74,142 | | | | (74,142) |
| Operation of Non-Instructional Services: | | | | | |
| Food Services | 299,744 | 154,712 | 148,408 | | 3,376 |
| Shared Services | 16,764 | 16,871 | | | 107 |
| Extracurricular Activities | 340,104 | 64,756 | 36,301 | | (239,047) |
| Capital Outlay | 166,345 | | | \$1,076 | (165,269) |
| Debt Service: | | | | | |
| Principal | 279,086 | | | | (279,086) |
| Interest | 359,857 | | | | (359,857) |
| Total Governmental Activities | <u>\$9,825,450</u> | <u>\$876,223</u> | <u>\$1,228,680</u> | <u>\$1,076</u> | <u>(7,719,471)</u> |
| General Receipts: | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 1,837,458 |
| Permanent Improvement | | | | | 226,820 |
| Debt Service | | | | | 592,989 |
| Building Maintenance | | | | | 33,122 |
| Income Taxes Levied for General Purposes | | | | | 1,461,607 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 4,171,119 |
| Interest | | | | | 7,481 |
| Miscellaneous | | | | | 63,257 |
| Total General Receipts | | | | | <u>8,393,853</u> |
| Change in Net Position | | | | | 674,382 |
| Net Position - Beginning of Year | | | | | <u>3,225,248</u> |
| Net Position - End of Year | | | | | <u><u>\$3,899,630</u></u> |

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015**

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Permanent Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|------------------------------|---------------------------------------|---|---|
| Assets: | | | | | |
| Cash and Cash Equivalents | \$2,414,655 | \$504,675 | \$320,482 | \$650,818 | \$3,890,630 |
| Cash and Cash Equivalent with Escrow Agent | | | | 9,000 | 9,000 |
| Total Assets | <u>2,414,655</u> | <u>504,675</u> | <u>320,482</u> | <u>659,818</u> | <u>\$3,899,630</u> |
| Fund Balances: | | | | | |
| Non-spendable | | | | 3,433 | 3,433 |
| Restricted | | 504,675 | 320,482 | 656,385 | 1,481,542 |
| Assigned | 77,488 | | | | 77,488 |
| Unassigned | <u>2,337,167</u> | | | | <u>2,337,167</u> |
| Total Fund Balances | <u>\$2,414,655</u> | <u>\$504,675</u> | <u>\$320,482</u> | <u>659,818</u> | <u>3,899,630</u> |

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | General Fund | Debt Service Fund | Permanent Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|------------------------------|---------------------------------------|---|---|
| Receipts: | | | | | |
| Property Taxes | \$1,837,458 | \$592,989 | \$226,820 | \$33,122 | \$2,690,389 |
| Income Taxes | 1,461,607 | | | | 1,461,607 |
| Intergovernmental | 4,701,971 | 85,977 | 38,337 | 525,707 | 5,351,992 |
| Interest | 7,473 | | 1,019 | 690 | 9,182 |
| Tuition and Fees | 639,884 | | | | 639,884 |
| Extracurricular Activities | | | | 59,942 | 59,942 |
| Gifts and Donations | 419 | | 3,793 | 45,390 | 49,602 |
| Charges for Services | 16,871 | | | | 16,871 |
| Food Services | | | | 156,085 | 156,085 |
| Miscellaneous | 64,278 | | | | 64,278 |
| Total Receipts | 8,729,961 | 678,966 | 269,969 | 820,936 | 10,499,832 |
| Disbursements: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 4,276,923 | | 179,136 | 36,031 | 4,492,090 |
| Special | 538,529 | | | 299,262 | 837,791 |
| Vocational Education | 97,063 | | | | 97,063 |
| Other | 71,489 | | | | 71,489 |
| Support Services: | | | | | |
| Pupil | 410,982 | | | | 410,982 |
| Instructional Staff | 137,292 | | | 24,863 | 162,155 |
| Board of Education | 21,425 | | | | 21,425 |
| Administration | 688,569 | | | | 688,569 |
| Fiscal | 286,216 | 13,716 | 5,208 | 756 | 305,896 |
| Operation and Maintenance of Plant | 690,894 | | 66,060 | 138,609 | 895,563 |
| Pupil Transportation | 306,385 | | | - | 306,385 |
| Central | 70,542 | | | 3,600 | 74,142 |
| Operation of Non-Instructional Services: | | | | | |
| Food Services | | | | 299,744 | 299,744 |
| Shared Services | 16,764 | | | | 16,764 |
| Extracurricular Activities | 248,436 | | | 91,668 | 340,104 |
| Capital Outlay | 13,033 | | 152,130 | 1,182 | 166,345 |
| Debt Service: | | | | | |
| Principal | | 279,086 | | | 279,086 |
| Interest | | 359,857 | | | 359,857 |
| Total Disbursements | 7,874,542 | 652,659 | 402,534 | 895,715 | 9,825,450 |
| Excess of Receipts Over (Under) Disbursements | 855,419 | 26,307 | (132,565) | (74,779) | 674,382 |
| Fund Balances - Beginning of Year | 1,559,236 | 478,368 | 453,047 | 734,597 | 3,225,248 |
| Fund Balances - End of Year | \$2,414,655 | \$504,675 | \$320,482 | \$659,818 | \$3,899,630 |

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Cash Receipts: | | | | |
| Property Taxes | \$1,758,338 | \$1,758,338 | \$1,837,458 | \$79,120 |
| Income Taxes | 1,288,099 | 1,288,099 | 1,461,607 | 173,508 |
| Intergovernmental | 4,865,456 | 4,865,456 | 4,701,971 | (163,485) |
| Interest | 8,550 | 8,550 | 7,473 | (1,077) |
| Tuition and Fees | 611,040 | 611,040 | 639,884 | 28,844 |
| Gifts and Donations | 100 | 100 | 419 | 319 |
| Charges for Services | 12,000 | 12,000 | 16,871 | 4,871 |
| Miscellaneous | 28,300 | 28,300 | 64,278 | 35,978 |
| Total Receipts | <u>8,571,883</u> | <u>8,571,883</u> | <u>8,729,961</u> | <u>158,078</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,381,311 | 4,408,311 | 4,287,188 | 121,123 |
| Special | 641,726 | 641,926 | 542,898 | 99,028 |
| Vocational Education | 100,069 | 100,069 | 97,063 | 3,006 |
| Other | 72,450 | 72,450 | 71,489 | 961 |
| Support Services: | | | | |
| Pupil | 423,770 | 423,770 | 410,982 | 12,788 |
| Instructional Staff | 148,846 | 148,846 | 140,375 | 8,471 |
| Board of Education | 20,084 | 21,751 | 21,425 | 326 |
| Administration | 713,043 | 714,443 | 693,247 | 21,196 |
| Fiscal | 290,556 | 299,091 | 288,361 | 10,730 |
| Operation and Maintenance of Plant | 759,431 | 765,451 | 700,762 | 64,689 |
| Pupil Transportation | 345,998 | 345,998 | 306,385 | 39,613 |
| Central | 92,078 | 92,078 | 70,542 | 21,536 |
| Operation of Non-Instructional Services: | | | | |
| Shared Services | 17,143 | 17,143 | 16,764 | 379 |
| Extracurricular Activities | 268,447 | 271,452 | 248,436 | 23,016 |
| Facilities Acquisition and Construction | 13,200 | 13,200 | 13,033 | 167 |
| Total Disbursements | <u>8,288,152</u> | <u>8,335,979</u> | <u>7,908,950</u> | <u>427,029</u> |
| Excess of Receipts Over Disbursements | 283,731 | 235,904 | 821,011 | 585,107 |
| Other Financing Sources (Uses): | | | | |
| Transfers-In | 11,466 | 11,466 | 11,466 | |
| Transfers-Out | (11,466) | (11,466) | (11,466) | |
| Total Other Financing Sources (Uses) | <u> </u> | <u> </u> | <u> </u> | |
| Net Change in Fund Balances | 283,731 | 235,904 | 821,011 | 585,107 |
| Fund Balance - Beginning of Year | 1,528,880 | 1,528,880 | 1,528,880 | |
| Prior Year Encumbrances Appropriated | <u>30,356</u> | <u>30,356</u> | <u>30,356</u> | |
| Fund Balance - End of Year | <u>\$1,842,967</u> | <u>\$1,795,140</u> | <u>\$2,380,247</u> | <u>\$585,107</u> |

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015**

| | Private Purpose Trust | Agency |
|--|----------------------------------|---------------|
| Assets: | | |
| Equity Pooled in Cash and Cash Equivalents | \$17,356 | \$44,503 |
| Total Assets | 17,356 | 44,503 |
| Net Position: | | |
| Endowments | 8,000 | |
| Held in Trust for Scholarships | 9,356 | |
| Held for Student Activities | | \$44,503 |
| Total Net Position | \$17,356 | \$44,503 |

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Private Purpose Trust |
|---|----------------------------------|
| Additions: | |
| Investment Income | \$77 |
| Gifts and Contributions | 1,937 |
| Total Additions | 2,014 |
| Deductions: | |
| Payments in Accordance with Trust Agreements | 3,500 |
| Transfers to Ada High School Foundation, Inc. | 39,515 |
| Total Deductions | 43,015 |
| Change in Net Position | (41,001) |
| Net Position - Beginning of Year | 58,357 |
| Net Position - End of Year | \$17,356 |

See accompanying notes to the basic financial statements.

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE DISTRICT

Ada Exempted Village School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio, and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected Board form of government and provides educational services as authorized by State and/or federal agencies. The Board consists of five members elected at large for staggered four year terms.

The District was established in 1862 through the consolidation of existing land areas and districts. The District serves an area of approximately 42 square miles. It is located in Hardin and Hancock Counties, including all of the Village of Ada, Ohio, and portions of Liberty Township in Hardin County and Orange Township in Hancock County. The District is the 504th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 35 non-certified employees, 64 certificated teaching personnel and 4 administrative employees to provide services to 851 students and other community members. The District currently operates two instructional buildings, one administrative wing connected to two gymnasiums, one storage building and one garage.

A. Reporting Entity

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

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

The District is associated with seven organizations of which two are defined as jointly governed organizations, one a related organization, and four insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Career Center, Ada Public Library, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, the Sheakley/Better Business Bureau of Central Ohio, Inc. Workers' Compensation Group Rating Program, Metropolitan Education Council and the Ohio School Plan. These organizations are presented in Notes 12, 13, and 14 to the general purpose financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

1. Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the District as a whole. The statements include all funds of the District except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District with certain limited exceptions. The comparison of direct expenses with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources of the District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

2. Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a single column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

An emphasis is placed on major funds within the governmental category. Governmental funds are those through which the governmental functions of the District are financed. A fund is considered major if it is the primary operating fund of the District or total assets, revenues, or expenditures of that individual governmental fund are both at least ten and five percent of the corresponding total for all governmental funds

The following are the District's major governmental funds:

General Fund – The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund is used to account for property tax receipts to pay the principal and related interest on the school facilities and improvement bonds.

Permanent Improvement Fund – This fund accounts for the permanent improvement levy, which was passed in May 2014, a five year renewal of 2.90 mills for the tax years 2015 through 2019. This fund is used to account for financial resources to be used for the acquisition of equipment or asset, whose useful life is expected to last five years or greater.

2. Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's Fiduciary Funds include private purpose trust funds and agency funds. The District's private purpose trust funds accounts for scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include various student-managed activities.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function, and object level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget

With the passage of House Bill #129 (spring 2001), a county budget commission may waive the submission of a subdivision's annual tax budget. On August 6, 2002, the Hardin County Budget Commission adopted a resolution waiving the requirement for the adoption of a tax budget for fiscal year 2004 and all future fiscal years for all school districts within Hardin County. In lieu of a full tax budget, the Commission will require the school districts to submit a copy of the five-year forecast annually by October 31st. This waiver of the tax budget does not change any other financial reporting requirements.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, three supplemental appropriations were legally enacted; however, none of these amendments were significant.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

E. Cash and Cash Equivalents

To improve cash management, cash for daily operations for all District funds is pooled in a central bank account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records.

During the year the District invested funds in a money market mutual fund and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with 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, 2014. The District also has deposited funds in the STAR Ohio Plus program, which allows Ohio's political subdivisions to deposit monies in a network of Federal Deposit Insurance Corporation-insured banks via a single account.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$7,473, which includes \$2,180 assigned from the other funds.

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Cash and cash equivalents with escrow agent represents money held in a retainage account.

F. Property, Plant and Equipment

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

G. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

H. Long-Term Debt

Under Ohio law, a bond retirement fund or sinking fund must be established to retire bonds, notes, and certificates of indebtedness. Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 government 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.

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 a 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 balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

J. Intergovernmental Revenues

Unrestricted intergovernmental entitlements are recorded as revenue when the entitlement is received. Federal and State reimbursement type grants are recorded as revenue when the grant is received.

K. Interfund Transactions

During the course of normal operations, the District has transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expense in the reimbursed fund.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Restricted net position (cash-basis) consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. Unrestricted net position consists of all other resources that do not meet the definition of "restricted".

M. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales; operating grants, contributions, and interest; and capital grants, contributions, and interest.

All other governmental revenues are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

N. Pensions

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on the financial statements as the entity reported on the OCBOA basis (not GAAP). See Note 9 for disclosure on these pronouncements.

4. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the 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 District can be fined and various other administrative remedies may be taken against the District.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits 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 deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit, or by savings or deposit accounts including passbook accounts. Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the District's deposits was \$3,775,521 and the bank balance was \$3,931,993. Of the bank balance, \$971,270 was covered by federal depository insurance and \$2,960,723 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

Investments are reported at the cash purchase price (cost) value. As of June 30, 2015, the District has the following investments:

| | Investment Maturities (in months) | |
|------------------------------------|--|------------------|
| | Cost | 0 – 6 |
| STAR Ohio | 61,567 | 61,567 |
| STAR Ohio – CFAP, Building Project | 124,401 | 124,401 |
| Total Investments | \$185,968 | \$185,968 |

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

Credit Risk: STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The District places no limit on the amount the district may invest in any one issuer.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property 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.

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The Counties' Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

| | <u>2014 Second- Half Collections</u> | | <u>2015 First- Half Collections</u> | |
|--|--|----------------|---|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$91,312,030 | 96.49% | \$102,809,730 | 96.78% |
| Public Utility Personal Property | 3,324,020 | 3.51 | 3,420,380 | 3.22 |
| Total Assessed Value | <u>\$94,636,050</u> | <u>100.00%</u> | <u>\$106,230,110</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$47.20 | | \$46.70 | |

7. INCOME TAX

The District levies a voted tax of 1.50% for general operations on the income of residents and of estates. One-half of the tax, .75%, was effective on January 1, 2008, renewed to be effective January 1, 2013, and will continue for five years. The other one-half of the tax, .75%, was effective on January 1, 2014 and will continue for seven years. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

8. RISK MANAGEMENT

For fiscal year 2015, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the District contracted with Hylant Administrative Services, Inc. (Ohio School Plan) for fleet, liability insurance and property and inland marine coverage. Coverages include:

| | | |
|------------------------------|----------------------|------------------|
| Building and Contents | (\$1,000 deductible) | \$38,254,505 |
| Inland Marine Coverage: | (\$1,000 deductible) | |
| Electronic Data Processing | | - included above |
| Musical Instruments Coverage | | - included above |
| Boiler and Machinery | | 38,254,505 |
| Automobile Liability | | 2,000,000 |
| General Liability | | |
| Per occurrence | | 2,000,000 |
| Total per year | | 4,000,000 |
| Umbrella | | 1,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

Public officials' bond insurance is provided by the Travelers Casualty and Surety Company of America.

The District participates in the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program 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 Program. A third party administrator (Sheakley Inc.) reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate.

The District participates in the Hardin County Schools Health Benefit Fund and Trust (the Plan), a public entity shared risk pool consisting of six local school districts. The District pays monthly premiums to the Plan for employee medical, dental, life insurance and vision benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as 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 District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

B. Plan Description – School Employees Retirement System (SERS)

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|---|---|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS for pension and death benefits was \$117,285 for fiscal year 2015.

C. Plan Description – State Teachers Retirement System (STRS)

Plan Description – The District's 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.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

The District's contractually required contribution to STRS was \$549,648 for fiscal year 2015.

D. Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|--|-------------|-------------|--------------|
| Proportionate Share of the Net Pension Liability | \$1,600,017 | \$8,889,743 | \$10,489,760 |
| Proportion of the Net Pension Liability | 0.031615% | 0.0365480% | |

E. Actuarial Assumptions – SERS

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

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

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

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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:

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

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

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

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$2,282,749 | \$1,600,017 | \$1,025,781 |

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions – STRS

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

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

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

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|--------------------------------|--|--------------------------------|
| School District’s proportionate share of the net pension liability | \$12,726,630 | \$8,889,743 | \$5,645,019 |

G. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, four of the five members of the Board of Education have elected social security, while the remaining board member has elected School Employees Retirement System. The Board’s liability is 6.2 percent of wages paid for social security.

10. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB 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. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. 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 at, www.ohsers.org, under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(C). For 2014 (the latest information available), .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$15,710, for 2015 the amount is \$16,651.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$7,731, \$1,268, and \$1,460 respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014 (the latest information available), the actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$6,977, \$6,883, and \$6,754 respectively; which equaled the required contributions for the year.

B. State Teachers Retirement System

Plan Description – The 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 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 2014 (the latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. Using the same percentage, the District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$39,261, \$37,881, and \$37,731 respectively; 83.4 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

11. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

| | Interest Rate | Principal Outstanding 6/30/2014 | Additions | Deductions | Principal Outstanding 6/30/2015 |
|---|--------------------------|--|------------------|-------------------|--|
| Long-Term Obligations: | | | | | |
| 2002 School Facilities and Improvement Bonds: | | | | | |
| Capital Appreciation Bonds | 9.40% | \$247,439 | | \$124,086 | \$123,353 |
| 2012 General Obligation Refunding Bonds: | | | | | |
| Capital Appreciation Bonds | Various | 4,490,000 | | 155,000 | 4,335,000 |
| | | 394,997 | | | 394,997 |
| Total Long-Term Debt | | \$5,132,436 | \$0 | \$279,086 | \$4,853,350 |

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

School Facilities and Improvement Bonds: During June 2002, the District issued \$7,846,437 in general obligation bonds for the purpose of constructing a K-12 school building and an auditorium facility. At that time, the District participated in the Expedited Local Partnership Program (ELPP) of the Ohio School Facility Commission (OSFC), under which the State will fund a percentage of the District's future facilities' needs. On March 16, 2005, Governor Taft announced the next 15 school districts that have been identified for funding under the Classroom Facilities Assistance Program (CFAP). The District was on the list for fiscal year 2006 appropriations.

The original bond issue consisted of \$6,125,000 in serial bonds, \$1,200,000 in term bonds and \$521,437 in capital appreciation bonds. The serial bonds had interest rates from 2% to 5% and yield rates from 2% to 5.02%, maturing each fiscal year beginning in 2003 through 2012 and in 2017 through 2023. The term bonds had a 5% interest rate with final maturity on December 1, 2023 (fiscal year 2024) and December 1, 2024 (fiscal year 2025). The capital appreciation bonds have a stated interest rate of 9.4% (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 4.7% to 4.95%. During fiscal year 2012, the remaining outstanding serial and term bonds were refinanced (see below). However, the capital appreciation bonds with maturing dates of 2012 through 2015 remain.

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds mature in fiscal years 2013 through 2016. The maturity amount of the bonds is \$1,565,000.

2012 General Obligation Refunding Bonds: During fiscal year 2012, the District issued \$5,229,997 in refunding bonds for the purpose of repaying the classroom facilities improvement bonds issued in 2002. The new bond issue consists of \$4,835,000 in serial bonds and \$394,997 in capital appreciation bonds. The serial bonds have interest rates from 1% to 2.50% and yield rates of .5% to 2.55%, maturing each fiscal year beginning 2012 through 2017 and in 2019 through 2022. The capital appreciation bonds have a stated yield rate of 2.35%. The bonds were issued for a ten year period with final maturity of December 1, 2022. The bonds will be retired from the debt service fund.

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$1,331,441. The economic gain resulting from the refunding was \$1,019,764.

The District's total voted legal debt margin was \$9,560,710 with an unvoted debt margin of \$106,230 at June 30, 2015. The District was approved as a special needs District by the Ohio Department of Education pursuant to Ohio Revised Code Section 133.06(C) based upon a future projected tax valuation of \$118,797,131 and a total indebtedness (based upon the projected valuation) of approximately 6.5%.

Pursuant to Ohio Revised Code 133.06, the Ohio Department of Education consented to allow the District to submit to the voters the question of issuing bonds in the amount of \$2,200,000 for constructing, furnishing, and equipping an auditorium facility. The popular vote approved the \$2,200,000 bond issue for the auditorium facility which resulted in the District exceeding the debt limitation.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015 are as follows:

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|--------------------|--------------------|--------------------|
| 2016 | \$283,352 | \$393,228 | \$676,580 |
| 2017 | 600,000 | 84,380 | 684,380 |
| 2018 | 625,001 | 72,130 | 697,131 |
| 2019 | 394,997 | 345,883 | 740,880 |
| 2020 | 690,000 | 58,980 | 748,980 |
| 2021-2023 | 2,260,000 | 82,250 | 2,342,240 |
| Total | <u>\$4,853,350</u> | <u>\$1,036,851</u> | <u>\$5,890,201</u> |

12. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative – The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC). NOACSC is an association of public school districts in within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood counties, and to any area established in future law, by the Ohio Department of Education. The cooperative was formed for the purpose of developing and implementing a computer system to improve administrative and instructional functions for the member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The degree of control exercised by an participating educational entity is limited to representation on the board.

Financial information can be obtained from Mr. Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Apollo Career Center – The Apollo Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eleven participating school districts’ elected boards, which possesses its own budgeting and taxing authority.

To obtain financial information write to the Apollo Career Center, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

13. RELATED ORGANIZATION

Ada Public Library – The Ada Public Library (the 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 Ada Exempted Village 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 District for operational subsidies.

Although the 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.

Financial information can be obtained from the Ada Library, Debbi Sprang, Clerk/Treasurer, at 320 North Main, Ada, Ohio 45810.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. INSURANCE PURCHASING POOLS

Hardin County School Employees' Health and Welfare Benefit Plan and Trust – The Hardin County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of six school districts and the Hardin County Educational Service Center.

The Trust is organized as a Voluntary Employee Benefit Association under Section 501©(9) of the Internal Revenue Code and provides sick, accident and other similar benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each school district decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as director, at P.O. Box 98, Dola, Ohio 45835.

Sheakley/Better Business Bureau of Central Ohio, Inc. Workers' Compensation Group Rating Program – The District participates in the Sheakley/Better Business Bureau of Central Ohio Inc. Workers' Compensation Group Rating Program ("Program"), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program. The firm of Sheakley Inc. provides administrative, cost control and actuarial services to the Program.

Metropolitan Education Council – The Metropolitan Education Council (MEC) is a purchasing cooperative made up of over three hundred (300) school districts, libraries, and related agencies in fifty-three counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information for both the purchasing cooperative can be obtained from the Metropolitan Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

Ohio School Plan – The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a twelve member board consisting of individual representatives from Plan members. Hylant Administrative Services, LLC is the Plan's administrator and is responsible for processing claims, underwriting, risk management, accounting, system support, sales and marketing for the Plan. Financial information can be obtained from the Hylant Administrative Services, LLC, 811 Madison Avenue, Toledo, Ohio 43624.

15. SET ASIDE DISCLOSURE

As stated in House Bill 412, revised in Senate Bill 345 and House Bill 30, school districts are required to maintain a reserve for capital acquisition and maintenance. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. SET ASIDE DISCLOSURE (Continued)

The following demonstrates the District's compliance with set-aside requirement in House Bill 30:

| | Capital Improvements |
|--|---------------------------------|
| Set Aside Reserve Balance as of June 30, 2014 | |
| Current Year Set Aside Requirement | \$155,939 |
| Current Year Qualifying Expenditures | (36,517) |
| Current Year Offsets | (119,422) |
| Prior Year Offset from Bond Proceeds or Expenditures | |
| Set Aside Balance at June 30, 2015 | \$0 |

Proceeds from the sale of bonds or bond expenditures can be used to offset future years set aside requirements. The District is responsible for tracking the unused bond proceeds or expenditures.

16. FUND BALANCE

Fund balance is classified as non-spendable, 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:

| Fund Balance | General | Debt Service | Permanent Improvement | Other Governmental | Total |
|----------------------------|----------------|-------------------------|----------------------------------|-------------------------------|--------------|
| Non-spendable | | | | \$3,433 | \$3,433 |
| Restricted for: | | | | | |
| Debt Service | | \$504,675 | | | 504,675 |
| Capital Improvements | | | \$320,482 | 176,900 | 497,382 |
| Food Service | | | | 117,974 | 117,974 |
| Band Supplies | | | | 14,177 | 14,177 |
| Athletics | | | | 43,937 | 43,937 |
| Library Supplies/Equip. | | | | 34,187 | 34,187 |
| Facilities Maintenance | | | | 228,329 | 228,329 |
| Extracurricular Activities | | | | 27,214 | 27,214 |
| Special Needs Students | | | | 3,626 | 3,626 |
| Dis-advantaged Students | | | | 10,041 | 10,041 |
| Total Restricted | | 504,675 | 320,482 | 656,385 | 1,481,542 |
| Assigned for: | | | | | |
| Instructional Materials | \$12,769 | | | | 12,769 |
| Extracurricular Activities | 30,311 | | | | 30,311 |
| Unpaid Obligations | 34,408 | | | | 34,408 |
| Total Assigned | 77,488 | | | | 77,488 |
| Unassigned | 2,337,167 | | | | 2,337,167 |
| Total Fund Balance | \$2,414,655 | \$504,675 | \$320,482 | \$659,818 | \$3,899,630 |

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

17. SIGNIFICANT CONTRACTS

The District has the following significant contracts outstanding as of June 30, 2015:

| <u>Contractor</u> | <u>Services</u> | <u>Contract Remaining</u> |
|---------------------------|--|---------------------------|
| Smith Boughan Inc. | Replace 1971 gym lights | \$22,766 |
| Smith Boughan Inc. | Preventative Maintenance, Mechanical Agreement, effective June 1, 2014 | \$36,505 |
| Houghton Mifflin Harcourt | Elementary and HS math textbooks | \$52,965 |
| Cardinal Bus Sales | New 2016 72-passenger school bus | \$84,715 |

18. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as part of the assigned fund balance (cash basis). The adjustments necessary to reconcile the cash and budget basis statements for the General Fund are as follows:

| <u>Difference in Fund Balance</u> | <u>General Fund</u> |
|---|---------------------|
| Cash Basis | \$2,414,655 |
| Increase (Decrease) Due To: | |
| Encumbrances Outstanding at Fiscal Year End | (34,408) |
| Budget Basis | <u>\$2,380,247</u> |

19. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Foundation Funding

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

ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|---------------------------|------------------|----------------------|------------------|--------------------------|
| United States Department of Agriculture: | | | | | |
| (Passed through Ohio Department of Education) | | | | | |
| Child Nutrition Cluster: | | | | | |
| Non-Cash Assistance (Food Distribution) | | | | | |
| School Breakfast Program | 10.553 | | \$1,298 | | \$1,298 |
| National School Lunch Program | 10.555 | | 24,658 | | 24,658 |
| Cash Assistance: | | | | | |
| School Breakfast Program | 10.553 | \$10,956 | | \$10,956 | |
| National School Lunch Program | 10.555 | 132,634 | | 132,634 | |
| Total Child Nutrition Cluster | | <u>143,590</u> | <u>25,956</u> | <u>143,590</u> | <u>25,956</u> |
| Total United States Department of Agriculture | | <u>143,590</u> | <u>25,956</u> | <u>143,590</u> | <u>25,956</u> |
| United States Department of Education: | | | | | |
| (Passed through Ohio Department of Education) | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 145,291 | | 140,874 | |
| Special Education_Grants to States | 84.027 | 155,518 | | 155,724 | |
| Special Education_Preschool Grants | 84.173 | 2,664 | | 2,664 | |
| Improving Teacher Quality State Grants | 84.367 | 36,031 | | 36,031 | |
| ARRA - State Fiscal Stabilization Fund - Race-to-the-Top, Incentive Grants, Recovery Act | 84.395 | 12,993 | | 13,281 | |
| Total United States Department of Education | | <u>352,497</u> | | <u>348,574</u> | |
| Total Federal Financial Assistance | | <u>\$496,087</u> | <u>\$25,956</u> | <u>\$492,164</u> | <u>\$25,956</u> |

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Ada Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Ada Exempted Village School District
Hardin County
725 West North Avenue
Ada, Ohio 45810

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ada Exempted Village School District, Hardin County, (the District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted that the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

December 9, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ada Exempted Village School District
Hardin County
725 West North Avenue
Ada, Ohio 45810

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Ada Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Ada Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 9, 2015

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Title I Grants to Local Educational Agencies – CFDA #84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that 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 Administrative Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03 (B) requires all school districts to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2014-001 | Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – Failure to file GAAP financial statements. | No | Repeated as Finding 2015-001 |

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Dave Yost • Auditor of State

ADA EXEMPTED VILLAGE SCHOOL DISTRICT

HARDIN 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 2, 2016**