



Dave Yost • Auditor of State



**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Indian Valley Local School District  
Tuscarawas County  
100 North Walnut Street  
P.O. Box 171  
Gnadenhutten, Ohio 44629-0171

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Valley Local School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

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

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

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

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

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

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

### **Opinion**

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

### **Emphasis of Matter**

As discussed in Note 2S to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 16, 2016

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**Indian Valley Local School District**  
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*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
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The discussion and analysis of the Indian Valley Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2015 are as follows:

- Net position increased \$1,125,752, which represents a 10 percent increase from 2014.
- Capital assets decreased \$1,296,503 during fiscal year 2015.
- During the fiscal year, outstanding debt decreased from \$9,972,705 to \$9,369,440 due to principal payments made by the School District.
- During the fiscal year the School District refunded \$6,085,000 of 2005 classroom facilities and school improvement bonds.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by \$21,617,031.

***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 Indian Valley Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Indian Valley Local School District, the general fund and bond retirement fund are by far the most significant funds.

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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School 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 statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's 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*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The major funds financial statements begin on page 19. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund.

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

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***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 24 and 25. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

**Table 1**  
**Net Position**

	Governmental Activities	
	2015	Restated 2014
<b>Assets</b>		
Current and Other Assets	\$ 13,809,107	\$ 12,268,455
Capital Assets	37,526,926	38,823,429
<i>Total Assets</i>	<u>51,336,033</u>	<u>51,091,884</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	134,696	89,275
Pension	1,414,309	1,162,024
<i>Total Deferred Outflows of Resources</i>	<u>1,549,005</u>	<u>1,251,299</u>
<b>Liabilities</b>		
Current and Other Liabilities	2,568,044	2,406,257
Long-Term Liabilities:		
Due Within One Year	1,033,451	902,873
Due in More Than One Year		
Net Pension Liability	19,170,285	22,779,055
Other Amounts	10,137,272	10,649,907
<i>Total Liabilities</i>	<u>32,909,052</u>	<u>36,738,092</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes and Other	4,249,527	4,471,739
Pension	3,467,355	0
<i>Total Deferred Inflows of Resources</i>	<u>7,716,882</u>	<u>4,471,739</u>
<b>Net Position</b>		
Net Investment in Capital Assets	29,313,349	29,916,874
Restricted	2,201,995	2,494,834
Unrestricted	(19,256,240)	(21,278,356)
<i>Total Net Position</i>	<u>\$ 12,259,104</u>	<u>\$ 11,133,352</u>

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During 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$32,750,383 to \$11,133,352.

Cash balance increased due to an increase in State foundation revenues and real estate taxes. Real estate taxes had a large increase due to a major taxpayer paying a full year of taxes in fiscal year 2015. In fiscal year 2015 operating expenses showed a 1 percent increase and in prior years operating expenses have increased 3 percent which helped to contribute to the increase in cash. Intergovernmental receivables decreased by \$422,576. This was due to a large receivable for the Straight A grant in fiscal year 2014, in which the grant was collected in fiscal year 2015.

At year end, capital assets represented 73 percent of total assets. Capital assets include, land, buildings and building improvements, improvements other than buildings, furniture and equipment, vehicles and library and textbooks. Net investment in capital assets was \$29,313,349 at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$2,201,995, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit balance of \$19,256,240, which is primarily caused by implementation of GASB 68.

Total capital assets decreased \$1,296,503 due to current year depreciation exceeding current year additions.

There was also a \$3,467,355 increase in deferred inflows for pension and a \$252,285 increase in deferred outflows for pension caused by the implementation of GASB 68.

The \$3,990,827 decrease in long-term liabilities was caused by the decrease in net pension liability and principal retirement on outstanding debt.

On October 9, 2014 the School District issued \$6,084,997 of general obligation bonds, which included serial term and capital appreciation (deep discount) bonds in the amount of \$5,515,000, \$105,000 and \$464,997, respectively. The bonds refunded \$6,085,000 of outstanding 2005 School Improvement General Obligation Bonds.

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Table 2 shows the changes in net position for fiscal year 2015 and 2014.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2015	2014
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,719,334	\$ 2,524,463
Operating Grants	2,626,969	2,604,211
<i>Total Program Revenues</i>	<u>5,346,303</u>	<u>5,128,674</u>
<i>General Revenues:</i>		
Property Taxes	5,474,175	4,840,453
Grants and Entitlements Not Restricted	10,378,990	10,034,861
Other	91,357	35,499
<i>Total General Revenues</i>	<u>15,944,522</u>	<u>14,910,813</u>
<i>Total Revenues</i>	<u>21,290,825</u>	<u>20,039,487</u>
<b>Program Expenses</b>		
Instruction:		
Regular	8,644,974	8,339,045
Special	2,017,922	2,161,251
Vocational	132,080	126,918
Other	1,372,962	1,497,805
Support Services:		
Pupils	459,663	463,367
Instructional Staff	654,187	516,992
Board of Education	49,018	50,961
Administration	1,250,500	1,231,099
Fiscal	425,765	420,503
Business	127,576	124,496
Operation and Maintenance of Plant	1,810,202	1,755,348
Pupil Transportation	1,109,635	1,122,476
Central	42,742	48,146
Operation of Non-Instructional Services:		
Food Service Operations	945,782	942,396
Extracurricular Activities	558,718	596,265
Debt Service:		
Interest and Fiscal Charges	434,491	529,602
Issuance Costs	128,856	0
<i>Total Expenses</i>	<u>20,165,073</u>	<u>19,926,670</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 1,125,752</u>	<u>\$ 112,817</u>

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,162,024 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$839,949. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68		\$ 20,165,073
Pension expense under GASB 68		(839,949)
2015 contractually required contribution		<u>1,233,649</u>
Adjusted 2015 program expenses		20,558,773
Total 2014 program expenses under GASB 27		<u>19,926,670</u>
Increase in program expenses not related pension		<u><u>\$ 632,103</u></u>

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Property taxes increased by \$633,722. This increase is partially due to a major taxpayer paying for a full year of taxes in February 2015.

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.

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**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
<b>Instruction:</b>				
Regular	\$ 8,644,974	\$ 8,339,045	\$ 6,373,229	\$ 5,699,953
Special	2,017,922	2,161,251	389,184	1,106,624
Vocational	132,080	126,918	35,849	82,160
Other	1,372,962	1,497,805	1,372,962	1,497,805
<b>Support Services:</b>				
Pupils	459,663	463,367	459,663	463,367
Instructional Staff	654,187	516,992	610,658	445,475
Board of Education	49,018	50,961	49,018	50,961
Administration	1,250,500	1,231,099	1,250,500	1,231,099
Fiscal	425,765	420,503	425,765	420,503
Business	127,576	124,496	127,576	124,496
Operation and Maintenance of Plant	1,810,202	1,755,348	1,754,583	1,699,649
Pupil Transportation	1,109,635	1,122,476	1,106,941	1,122,476
Central	42,742	48,146	35,542	40,946
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	945,782	942,396	(38,717)	(39,565)
Extracurricular Activities	558,718	596,265	302,670	322,445
<b>Debt Service:</b>				
Interest and Fiscal Charges	434,491	529,602	434,491	529,602
Issuance Costs	128,856	0	128,856	0
<b>Total Expenses</b>	<b>\$ 20,165,073</b>	<b>\$ 19,926,670</b>	<b>\$ 14,818,770</b>	<b>\$ 14,797,996</b>

The dependence upon general revenues for governmental activities is apparent. Over 73 percent of governmental activities are supported through taxes and other general revenues; such revenues are 75 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

***Governmental Funds***

Information about the School District's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,663,276 and expenditures of \$19,985,725 for fiscal year 2015.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$1,811,354. This was primarily due to an increase in state foundation receipts and the collections of property taxes.

The fund balance of the bond retirement fund increased by \$114,012. This was due to the premium received on the refunding of debt partially offset by payments to escrow agent exceeding proceeds received all related to refunding bonds.

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***General Fund Budgeting Highlights***

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

During the course of fiscal year 2015, the School District did amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budget basis revenue was \$510,599 less than the final budget basis revenue. The majority of this difference was due to an initial underestimation of property tax revenues.

Final expenditure appropriations of \$16,584,644 were \$1,083,228 higher than the actual expenditures of \$15,501,416, as cost savings were recognized for all programs throughout the fiscal year.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2015, the School District had \$37,526,926 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 91,144	\$ 91,144
Buildings and Building Improvements	35,910,400	37,318,808
Improvements Other Than Building	106,451	138,347
Furniture and Equipment	837,553	835,907
Vehicles	486,343	412,802
Library and Textbooks	95,035	26,421
<i>Totals</i>	\$ 37,526,926	\$ 38,823,429

The \$1,296,503 decrease in capital assets was attributable to depreciation and disposals exceeding additional purchases in the current year. See Note 8 for more information about the capital assets of the School District.

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**Debt**

At June 30, 2015, the School District had \$9,369,440 in debt outstanding. See Note 12 for additional details. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2015	2014
General Obligation Bonds:		
Various Serial and Term Bonds	\$ 6,110,000	\$ 7,485,000
Various Capital Appreciation Bonds	1,612,980	1,147,983
Accretion on Capital Appreciation Bond	1,646,460	1,339,722
<i>Total</i>	\$ 9,369,440	\$ 9,972,705

***Current Issues***

The School District continues to receive strong support from the residents of the School District. The last operating levies passed by the residents of the School District were a renewal in November 2013, which will generate revenue of approximately \$585,000 per year, for a period of five years and a renewal in May 2011, which will generate revenue of \$600,000 per year, for a period of five years. Also, in May 2005, the School District residents passed an \$8,483,000 bond issue as their local share in an Ohio Facilities Construction Commission Program. The total project cost of \$42,436,000 provided the School District with two new elementary schools, a new middle school, and a 30,000 square foot addition and renovations to the high school. All of the schools were opened in September 2007.

Real estate 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.

Property tax revenue makes up only 26 percent of revenues for governmental activities for the School District in fiscal year 2015. Unlike many other school districts, the School District is not primarily dependent upon revenue generated from property taxes.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional school funding system, one that was neither “adequate” nor “equitable.”

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brad Maholm, Treasurer of Indian Valley Local School District, 100 N. Walnut Street, Gnadenhutten, Ohio 44629 or [brad.maholm@ivschoools.org](mailto:brad.maholm@ivschoools.org).

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**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Statement of Net Position*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,338,475
Inventory Held For Resale	10,079
Materials and Supplies Inventory	2,158
Receivables:	
Intergovernmental	200,703
Property Taxes	5,191,926
Prepaid Items	65,766
Nondepreciable Capital Assets	91,144
Depreciable Capital Assets (Net)	37,435,782
<i>Total Assets</i>	51,336,033
<b>Deferred Outflows of Resources</b>	
Deferred Charges on Refunding	134,696
Pension	1,414,309
<i>Total Deferred Outflows of Resources</i>	1,549,005
<b>Liabilities</b>	
Accounts Payable	65,074
Accrued Wages and Benefits	1,756,218
Intergovernmental Payable	415,460
Accrued Vacation Leave Payable	72,715
Matured Compensated Absences Payable	241,341
Accrued Interest Payable	17,236
Long Term Liabilities:	
Due Within One Year	1,033,451
Due In More Than One Year:	
Net Pension Liability (See Note 10)	19,170,285
Other Amonts Due in More Than One Year	10,137,272
<i>Total Liabilities</i>	32,909,052
<b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	4,249,527
Pension	3,467,355
<i>Total Deferred Inflows of Resources</i>	7,716,882
<b>Net Position</b>	
Net Investment in Capital Assets	29,313,349
Restricted For:	
Debt Service	1,437,148
Other Purposes	764,847
Unrestricted	(19,256,240)
<i>Total Net Position</i>	\$ 12,259,104

See accompanying notes to the basic financial statements.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 8,644,974	\$ 2,049,750	\$ 221,995	\$ (6,373,229)
Special	2,017,922	88,051	1,540,687	(389,184)
Vocational	132,080	0	96,231	(35,849)
Other	1,372,962	0	0	(1,372,962)
Support Services:				
Pupils	459,663	0	0	(459,663)
Instructional Staff	654,187	0	43,529	(610,658)
Board of Education	49,018	0	0	(49,018)
Administration	1,250,500	0	0	(1,250,500)
Fiscal	425,765	0	0	(425,765)
Business	127,576	0	0	(127,576)
Operation and Maintenance of Plant	1,810,202	0	55,619	(1,754,583)
Pupil Transportation	1,109,635	0	2,694	(1,106,941)
Central	42,742	0	7,200	(35,542)
Operation of Non-Instructional Services:				
Food Service Operations	945,782	377,699	606,800	38,717
Extracurricular Activities	558,718	203,834	52,214	(302,670)
Debt Service:				
Interest and Fiscal Charges	434,491	0	0	(434,491)
Issuance Costs	128,856	0	0	(128,856)
<b>Total</b>	<b>\$ 20,165,073</b>	<b>\$ 2,719,334</b>	<b>\$ 2,626,969</b>	<b>(14,818,770)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	4,374,302
Debt Service	1,023,669
Other Purposes	76,204
Grants and Entitlements Not Restricted to Specific Programs	10,378,990
Investment Earnings	13,337
Miscellaneous	78,020
<i>Total General Revenues</i>	<u>15,944,522</u>
<i>Change in Net Position</i>	1,125,752
<i>Net Position Beginning of Year (Restated-See Note 2S)</i>	11,133,352
<i>Net Position End of Year</i>	<u>\$ 12,259,104</u>

See accompanying notes to the basic financial statements.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 6,120,272	\$ 1,269,676	\$ 948,527	\$ 8,338,475
Inventory Held For Resale	0	0	10,079	10,079
Materials and Supplies Inventory	0	0	2,158	2,158
Receivables:				
Interfund	2,000	0	0	2,000
Intergovernmental	99,207	0	101,496	200,703
Property Taxes	4,102,553	1,017,605	71,768	5,191,926
Prepaid Items	57,144	0	8,622	65,766
<i>Total Assets</i>	<u>\$ 10,381,176</u>	<u>\$ 2,287,281</u>	<u>\$ 1,142,650</u>	<u>\$ 13,811,107</u>
<b>Liabilities</b>				
Accounts Payable	\$ 53,464	\$ 0	\$ 11,610	\$ 65,074
Accrued Wages and Benefits	1,527,922	0	228,296	1,756,218
Interfund Payable	0	0	2,000	2,000
Intergovernmental Payable	381,950	0	33,510	415,460
Matured Compensated Absences Payable	232,435	0	8,906	241,341
<i>Total Liabilities</i>	<u>2,195,771</u>	<u>0</u>	<u>284,322</u>	<u>2,480,093</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	3,357,889	832,897	58,741	4,249,527
Unavailable Revenue	370,565	67,605	36,551	474,721
<i>Total Deferred Inflows of Resources</i>	<u>3,728,454</u>	<u>900,502</u>	<u>95,292</u>	<u>4,724,248</u>
<b>Fund Balances</b>				
Nonspendable	57,144	0	10,780	67,924
Restricted	0	1,386,779	753,839	2,140,618
Assigned	67,525	0	0	67,525
Unassigned	4,332,282	0	(1,583)	4,330,699
<i>Total Fund Balances</i>	<u>4,456,951</u>	<u>1,386,779</u>	<u>763,036</u>	<u>6,606,766</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 10,381,176</u>	<u>\$ 2,287,281</u>	<u>\$ 1,142,650</u>	<u>\$ 13,811,107</u>

See accompanying notes to the basic financial statements.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2015*

<b>Total Governmental Fund Balances</b>		\$ 6,606,766
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		37,526,926
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 31,783	
Excess Costs	96,905	
SERS Reimbursement	1,107	
Property Taxes	344,926	474,721
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		 (17,236)
 In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		 134,696
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,414,309	
Deferred Inflows - Pension	(3,467,355)	
Net Pension Liability	(19,170,285)	(21,223,331)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(6,110,000)	
Capital Appreciation Bonds	(1,612,980)	
Bond Premium	(474,479)	
Accretion of Interest - Capital Appreciation Bonds	(1,646,460)	
Capital Lease Obligation	(150,814)	
Vacations Payable	(72,715)	
Compensated Absences	(1,175,990)	(11,243,438)
 <i>Net Position of Governmental Activities</i>		 <u>\$ 12,259,104</u>

See accompanying notes to the basic financial statements.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 4,377,052	\$ 1,024,627	\$ 76,358	\$ 5,478,037
Intergovernmental	10,874,384	177,156	2,367,041	13,418,581
Investment Income	13,337	0	1,003	14,340
Tuition and Fees	2,028,292	0	0	2,028,292
Extracurricular Activities	107,044	0	95,603	202,647
Rentals	19,455	0	0	19,455
Charges for Services	0	0	377,699	377,699
Contributions and Donations	27,251	0	34,680	61,931
Miscellaneous	57,462	0	4,832	62,294
<i>Total Revenues</i>	<u>17,504,277</u>	<u>1,201,783</u>	<u>2,957,216</u>	<u>21,663,276</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,783,637	0	645,983	7,429,620
Special	1,207,986	0	897,448	2,105,434
Vocational	126,359	0	6,250	132,609
Other	1,374,468	0	0	1,374,468
Support Services:				
Pupils	484,919	0	0	484,919
Instructional Staff	567,872	0	91,118	658,990
Board of Education	49,196	0	0	49,196
Administration	1,219,836	0	53,065	1,272,901
Fiscal	400,772	24,230	1,795	426,797
Business	128,032	0	0	128,032
Operation and Maintenance of Plant	1,695,948	0	146,330	1,842,278
Pupil Transportation	1,161,064	0	1,571	1,162,635
Central	35,766	0	7,200	42,966
Extracurricular Activities	418,966	0	128,486	547,452
Operation of Non-Instructional Services:				
Food Service Operations	0	0	922,600	922,600
Capital Outlay	158,240	0	0	158,240
Debt Service:				
Principal Retirement	50,538	910,000	0	960,538
Interest and Fiscal Charges	1,965	155,229	0	157,194
Issuance Costs	0	128,856	0	128,856
<i>Total Expenditures</i>	<u>15,865,564</u>	<u>1,218,315</u>	<u>2,901,846</u>	<u>19,985,725</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,638,713</u>	<u>(16,532)</u>	<u>55,370</u>	<u>1,677,551</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Assets	14,401	0	1,325	15,726
Refunding Bonds Issued	0	6,084,997	0	6,084,997
Payment to Refunded Bond Escrow Agent	0	(6,339,269)	0	(6,339,269)
Premium on Refunding Bonds Issued	0	384,816	0	384,816
Inception of Capital Lease	158,240	0	0	158,240
<i>Total Other Financing Sources (Uses)</i>	<u>172,641</u>	<u>130,544</u>	<u>1,325</u>	<u>304,510</u>
<i>Net Change in Fund Balance</i>	1,811,354	114,012	56,695	1,982,061
<i>Fund Balances Beginning of Year</i>	<u>2,645,597</u>	<u>1,272,767</u>	<u>706,341</u>	<u>4,624,705</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,456,951</u>	<u>\$ 1,386,779</u>	<u>\$ 763,036</u>	<u>\$ 6,606,766</u>

See accompanying notes to the basic financial statements.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	1,982,061
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions/Adjustments	\$ 423,385	
Current Year Depreciation/Adjustments	<u>(1,691,363)</u>	(1,267,978)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(28,525)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(3,860)	
Excess Costs	91,236	
SERS Reimbursement	1,107	
Intergovernmental	<u>(475,553)</u>	(387,070)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	910,000	
Capital Leases	<u>50,538</u>	960,538
Other financing sources/uses in the governmental funds impact long-term liabilities on the statement of net position.		
Inception of Capital Lease	(158,240)	
Proceeds of Refunding Bonds	(6,084,997)	
Payments to Refunding Bond Escrow Agent	6,339,269	
Bond Premium	<u>(384,816)</u>	(288,784)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,233,649
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(839,949)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	8,217	
Amortization of Premium on Bonds	38,584	
Amortization of Refunding Loss	<u>(17,360)</u>	29,441
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	41,238	
Vacations Payable	<u>(2,131)</u>	39,107
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities		
		<u>(306,738)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u>1,125,752</u>

See accompanying notes to the basic financial statements.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 3,916,239	\$ 4,290,000	\$ 4,290,333	\$ 333
Intergovernmental	10,803,926	10,823,900	10,873,189	49,289
Investment Income	10,039	13,000	13,337	337
Tuition and Fees	1,924,586	2,027,000	2,028,472	1,472
Rentals	15,006	19,000	19,590	590
Contributions and Donations	5,003	8,500	9,717	1,217
Miscellaneous	4,002	8,000	8,046	46
<i>Total Revenues</i>	<u>16,678,801</u>	<u>17,189,400</u>	<u>17,242,684</u>	<u>53,284</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,906,473	6,950,473	6,703,493	246,980
Special	1,261,425	1,296,425	1,171,065	125,360
Vocational	140,475	147,975	130,074	17,901
Other	1,611,800	1,612,800	1,376,631	236,169
Support Services:				
Pupils	519,229	519,229	467,193	52,036
Instructional Staff	595,902	608,902	574,541	34,361
Board of Education	54,500	54,500	50,563	3,937
Administration	1,235,055	1,263,055	1,218,136	44,919
Fiscal	408,675	417,675	402,480	15,195
Business	132,000	132,600	129,098	3,502
Operation and Maintenance of Plant	1,864,747	1,900,747	1,773,060	127,687
Pupil Transportation	1,301,238	1,302,738	1,173,025	129,713
Central	42,350	42,850	36,099	6,751
Extracurricular Activities	334,675	334,675	295,958	38,717
<i>Total Expenditures</i>	<u>16,408,544</u>	<u>16,584,644</u>	<u>15,501,416</u>	<u>1,083,228</u>
<i>Excess of Revenues Over Expenditures</i>	<u>270,257</u>	<u>604,756</u>	<u>1,741,268</u>	<u>1,136,512</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	14,000	14,401	401
Refund of Prior Year Expenditures	5,000	49,400	49,416	16
Advances Out	(5,000)	(5,000)	(2,000)	3,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>58,400</u>	<u>61,817</u>	<u>3,417</u>
<i>Net Change in Fund Balance</i>	270,257	663,156	1,803,085	1,139,929
<i>Fund Balance Beginning of Year</i>	4,116,818	4,116,818	4,116,818	0
Prior Year Encumbrances Appropriated	53,544	53,544	53,544	0
<i>Fund Balance End of Year</i>	<u>\$ 4,440,619</u>	<u>\$ 4,833,518</u>	<u>\$ 5,973,447</u>	<u>\$ 1,139,929</u>

See accompanying notes to the basic financial statements.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 10,741	\$ 65,383
<b>Liabilities</b>		
Due to Students	0	\$ 65,383
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 10,741	

See accompanying notes to the basic financial statements.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 12,000
Investment Earnings	41
<i>Total Additions</i>	12,041
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	11,500
<i>Change in Net Position</i>	541
<i>Net Position Beginning of Year</i>	10,200
<i>Net Position End of Year</i>	\$ 10,741

See accompanying notes to the basic financial statements.

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**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY**

The Indian Valley Local School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

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

The School District is involved with the Ohio Mid-Eastern Regional Education Service Information Technology Center Regional Council of Governments (Council), the Tuscarawas County Tax Incentive Review Council and the Buckeye Career Center, which are defined as jointly governed organizations, the Portage Area School Consortium, an insurance purchasing pool, and the Gnadenhutten Public Library, which is defined as a related organization. Additional information concerning these organizations is presented in Notes 14, 15 and 16.

Management believes the basic financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control. There are no component units.

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

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

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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

***B. Fund Accounting***

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

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

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

***Bond Retirement Fund*** The bond retirement fund accounts for the accumulation of resources for and the payment of general obligation principal and interest.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

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

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

***D. Basis of Accounting***

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

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

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

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

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

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***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2015, investments were limited to STAR Ohio and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015. Certificates of deposit are reported at cost.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$13,337, which includes \$3,349 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

***G. Capital Assets***

General capital assets are those assets that result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is \$2,500 for its general capital assets with the exception of textbooks which are all capitalized. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Building Improvements	20 - 50 Years
Improvements Other Than Buildings	20 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years
Library and Textbooks	6 Years

***H. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are reported as "due to/due from other funds." These amounts are eliminated in the governmental columns of the Statement of Net Position.

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

***J. 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.

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***K. Bond Premiums***

Bond premiums are recorded as another financing sources on the governmental fund statements. The bond premiums are amortized over the term of the bond using the straight-line method on the government-wide statements since the results are not significantly different from the effective-interest or bonds outstanding methods. Bond premiums are presented as an increase of the face amount of the bonds payable.

***L. Accrued Liabilities and Long-Term Obligations***

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

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

***M. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes instructional activities, grants and extracurricular activities. At June 30, 2015, none of the School District's net position was restricted by enabling legislation.

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

***N. Fund Balance***

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

***O. Interfund Activity***

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

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2015.

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***Q. Estimates***

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

***R. Budgetary Data***

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

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

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

***S. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

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GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Previously Reported Net Position	\$ 32,750,383
Deferred Outflows of Resources	
SERS	287,399
STRS	874,625
Net Pension Liability	
SERS	(4,100,473)
STRS	<u>(18,678,582)</u>
Restated Net Position, July 1, 2014	<u><u>\$ 11,133,352</u></u>

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

**NOTE 3: FUND DEFICITS**

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

	Deficit
<i>Non-Major Special Revenue Funds:</i>	
Title VI	\$ 899
Title I	684

The deficits in these funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

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3. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed or assigned fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$ 1,811,354
Net Adjustment for Revenue Accruals	(87,599)
Net Adjustment for Expenditure Accruals	170,531
Funds Budgeted Elsewhere **	(4,710)
Adjustment for Encumbrances	(86,491)
Budget Basis	\$ 1,803,085

\*\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**NOTE 5: DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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 monies are those 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 or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation,

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Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and any other obligations of the State of Ohio;
5. 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
6. The State Treasury Asset Reserve of Ohio (STAR Ohio and STAR Plus).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the School District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

According to state law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2015, the School District and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$8,384,471. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$13,040

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of the School District's bank balance of \$8,617,635 was exposed to custodial risk as discussed above, while \$8,194,344 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$7,933,253 held in a STAR Plus account.

As of June 30, 2015, the School District has \$1,155 in deposited cash on hand. This amount is included in equity in pooled cash and cash equivalents.

**Investments**

The following table includes the investment, maturity and percentage and total of each investment type held by the School District at June 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity 3 Months or Less</u>	<u>Percent of Total</u>
STAR Ohio	\$ 28,973	\$ 28,973	100%

***Concentration of Credit Risk*** The School District places no limit on the amount that may be invested in any one issuer.

***Credit Risk*** The School District has no investment policy that specifically addresses credit risk. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days and carries a rating of AAAM by Standard and Poor's.

**NOTE 6: RECEIVABLES**

Receivables at June 30, 2015 consisted of property taxes, interfund and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**NOTE 7: PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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.

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Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$472,111 in the general fund, \$117,103 in the bond retirement fund, and \$8,259 in the classroom facilities maintenance fund. The amount available as an advance at June 30, 2014, was \$385,392 in the general fund, \$95,979 in the bond retirement fund, and \$6,891 in the classroom facilities maintenance fund. The amount available to be advanced can vary based on the date the tax bills are sent.

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

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

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

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 150,270,670	87.11%	\$ 149,928,250	86.76%
Public Utility Personal Property	22,241,300	12.89%	22,870,660	13.24%
	\$ 172,511,970	100.00%	\$ 172,798,910	100.00%
Tax rate per \$1,000 assessed valuation	\$ 43.30		\$ 43.00	

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**NOTE 8: CAPITAL ASSETS**

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

	Balance 6/30/2014	Additions	Reductions	Adjustments	Balance 6/30/2015
<b>Governmental Activities</b>					
<i>Capital Assets, Not Being Depreciated:</i>					
Land	\$ 91,144	\$ 0	\$ 0	\$ 0	\$ 91,144
<i>Capital Assets, Being Depreciated:</i>					
Buildings and Building Improvements	51,651,753	0	(382,941)	0	51,268,812
Improvements Other Than Buildings	876,083	0	0	2,500	878,583
Furniture and Equipment	1,857,035	183,388	(268,183)	0	1,772,240
Vehicles	1,924,729	177,996	(167,298)	0	1,935,427
Library and Textbooks	943,851	59,501	0	0	1,003,352
<i>Total Capital Assets, Being Depreciated</i>	<u>57,253,451</u>	<u>420,885</u>	<u>(818,422)</u>	<u>2,500</u>	<u>56,858,414</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and Building Improvements	(14,332,945)	(1,408,408)	382,941	0	(15,358,412)
Improvements Other Than Buildings	(737,736)	(32,752)	0	(1,644)	(772,132)
Furniture and Equipment	(1,021,128)	(143,698)	239,658	(9,519)	(934,687)
Vehicles	(1,511,927)	(103,246)	167,298	(1,209)	(1,449,084)
Library and Textbooks	(917,430)	(16,528)	0	25,641	(908,317)
<i>Total Accumulated Depreciation</i>	<u>(18,521,166)</u>	<u>(1,704,632) *</u>	<u>789,897</u>	<u>13,269 *</u>	<u>(19,422,632)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>38,732,285</u>	<u>(1,283,747)</u>	<u>(28,525)</u>	<u>15,769</u>	<u>37,435,782</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 38,823,429</u>	<u>\$ (1,283,747)</u>	<u>\$ (28,525)</u>	<u>\$ 15,769</u>	<u>\$ 37,526,926</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,478,549
Special	914
Vocational	2,072
Support Services:	
Administration	7,671
Operation and Maintenance of Plant	24,922
Pupil Transportation	108,932
Operation of Non-Instructional Services:	
Food Service Operations	33,944
Extracurricular Activities	34,359
	<u>1,691,363</u>
Total Depreciation	<u>\$ 1,691,363</u>

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**NOTE 9: RISK MANAGEMENT**

***A. General Insurance***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$68,759,060. The School District's vehicle insurance policy limit is \$1,000,000 with a \$1,000 collision and comprehensive deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries an excess (umbrella) liability policy. The limits of this coverage are \$3,000,000 per occurrence and \$3,000,000 in aggregate. Claims did not exceed coverage in the past three years. There has not been a significant reduction in coverage from the prior year.

***B. Fidelity Bond***

The Board President and Superintendent have a \$25,000 position bond. The Treasurer is covered under a surety bond in the amount of \$100,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

***C. Workers' Compensation***

The School District pays the State Workers' Compensation System, a premium based on a rate per \$100 of salaries. The School District is a member of the group retrospective rating program with the Better Business Bureau of Central Ohio through Sheakley Uniservice., an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

***D. Employee Health Insurance***

The School District is a member of the Portage Area School Consortium (the Consortium). The Consortium is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone Pools; the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

Beginning July 1, 2007, the School District is a member of the Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), a shared risk pool (See Note 16), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the Program) is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

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**NOTE 10: DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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

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

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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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund. The School District's contractually required contribution to SERS was \$271,641 for fiscal year 2015. Of this amount \$48,973 is reported as an intergovernmental payable.

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

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

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

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continue to increase periodically until they reach age 60 with 35 years of service or age 65 and 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 year 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 services 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.

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The School District's contractually required contribution to STRS was \$962,008 for fiscal year 2015. Of this amount \$161,164 is reported as an intergovernmental payable.

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

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 15,680,562	\$ 3,489,723	\$ 19,170,285
Proportion of the Net Pension Liability	0.06446682%	0.06895400%	
Pension Expense	\$ 626,609	\$ 213,340	\$ 839,949

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 150,959	\$ 29,701	\$ 180,660
School District contributions subsequent to the measurement date	962,008	271,641	1,233,649
<b>Total Deferred Outflows of Resources</b>	<u>\$ 1,112,967</u>	<u>\$ 301,342</u>	<u>\$ 1,414,309</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,900,963</u>	<u>\$ 566,392</u>	<u>\$ 3,467,355</u>

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\$1,233,649 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	\$ (687,501)	\$ (134,173)	\$ (821,674)
2017	(687,501)	(134,173)	(821,674)
2018	(687,501)	(134,173)	(821,674)
2019	(687,501)	(134,172)	(821,673)
	\$ (2,750,004)	\$ (536,691)	\$ (3,286,695)

***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

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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:

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

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

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

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 4,978,797	\$ 3,489,723	\$ 2,237,282

***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 increase	2.75 percent at 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:

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 22,448,434	\$ 15,680,562	\$ 9,957,219

**NOTE 11: POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$52,964, \$35,947, and \$36,194, respectively; 83 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

***B. State Teachers Retirement System***

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$67,279, and \$66,058, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 12: LONG-TERM OBLIGATIONS**

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

	Restated Balance 06/30/2014	Additions	Reductions	Balance 06/30/2015	Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2005 Classroom Facilities and School Improvement Bonds:					
Serial and Term Bonds, \$8,395,000, 3.0%-4.25%	\$ 6,375,000	\$ 0	\$ (6,375,000)	\$ 0	\$ 0
Capital Appreciation Bonds, 9.555%-9.088%	87,994	0	0	87,994	0
Accretion on Capital Appreciation Bonds	483,977	129,246	0	613,223	0
Unamortized Premium	193,912	0	(193,912)	0	0
2005 School Improvement Refunding Bonds:					
Serial Bonds, 3.0%-4.25%	1,110,000	0	(540,000)	570,000	570,000
Capital Appreciation Bonds, 9.555%-9.088%	1,059,989	0	0	1,059,989	0
Accretion on Capital Appreciation Bonds	855,745	127,722	0	983,467	0
Unamortized Premium	125,823	0	(20,970)	104,853	0
2014 Classroom Facilities and School Improvement Bonds:					
Serial and Term Bonds, \$5,620,000, 1.0%-4.0%	0	5,620,000	(80,000)	5,540,000	0
Capital Appreciation Bonds, 13.358%	0	464,997	0	464,997	297,542
Accretion on Capital Appreciation Bonds	0	49,770	0	49,770	30,981
Unamortized Premium	0	384,816	(15,190)	369,626	0
<i>Total General Obligation Bonds</i>	<u>10,292,440</u>	<u>6,776,551</u>	<u>(7,225,072)</u>	<u>9,843,919</u>	<u>898,523</u>
<i>Net Pension Liability:</i>					
STRS	18,678,582	0	(2,998,020)	15,680,562	0
SERS	4,100,473	0	(610,750)	3,489,723	0
<i>Total Net Pension Liability</i>	<u>22,779,055</u>	<u>0</u>	<u>(3,608,770)</u>	<u>19,170,285</u>	<u>0</u>
Other Long-Term Obligations:					
Compensated Absences	1,217,228	31,828	(73,066)	1,175,990	104,780
Capital Leases Payable	43,112	158,240	(50,538)	150,814	30,148
<i>Total General Long-Term Obligations</i>	<u>\$ 34,331,835</u>	<u>\$ 6,966,619</u>	<u>\$ (10,957,446)</u>	<u>\$ 30,341,008</u>	<u>\$ 1,033,451</u>

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***2005 School Improvement Bonds***

On June 30, 2005, the School District issued \$8,482,994 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$2,610,000, \$5,785,000 and \$87,994, respectively. The general obligation bonds were issued for the purpose of constructing two new elementary schools, a new middle school, and a 30,000 square foot addition and renovations to the high school. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2033.

On October 9, 2014 the School District refunded \$300,000 and \$5,785,000 of 2005 school improvement serial and term bonds, respectively. The 2005 school improvement bonds were refunded with 2014 classroom facilities and school improvement refunding bonds.

The capital appreciation bonds will mature December 1, 2016 through 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,240,000. The fiscal year 2015 accretion amount was \$129,246.

***2005 School Improvement Refunding General Obligation Bonds***

On June 30, 2005, the School District issued \$5,924,989 of general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$4,865,000 and \$1,059,989, respectively. The bonds refunded \$5,925,000 of outstanding 1995 School Improvement General Obligation Bonds. The bonds were issued for a fifteen-year period with final maturity at December 1, 2019. At the date of refunding, \$6,148,177 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental column of the statement of net position. The principal balance outstanding on the defeased bonds was \$2,850,000 at June 30, 2015.

These refunding bonds were issued with a premium of \$314,553, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2015 was \$20,970. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$223,177. This difference, reported in the accompanying financial statements as a deferred outflow of resources - deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$14,882.

The capital appreciation bonds mature December 1, 2016 through December 1, 2019. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$2,465,000. For fiscal year 2015, the accretion amount was \$127,722.

Outstanding general obligation bonds consist of school building construction issues. Such bonds are direct obligations of the School District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the School District.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***2014 Classroom Facilities and School Improvement Refunding General Obligation Bonds***

On October 9, 2014 the School District issued \$6,084,997 of general obligation bonds, which included serial term and capital appreciation (deep discount) bonds in the amount of \$5,515,000, \$105,000 and \$464,997, respectively. The bonds refunded \$6,085,000 of outstanding 2005 School Improvement General Obligation Bonds. The bonds were issued for a twenty-nine year period with final maturity at December 1, 2034. At the date of refunding, \$6,339,269 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. The refunded bonds were called on June 30, 2015.

These refunding bonds were issued with a premium of \$384,816, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2015 was \$15,190. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$62,781. This difference, reported in the accompanying financial statements as a deferred outflow of resources - deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$2,478.

The \$6,084,997 bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 1.00-4.00 percent. The term bonds that mature in fiscal year 2020, with an interest rate of 1.50 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2017 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$ 35,000
2019	35,000
2020	35,000

The term bonds maturing after December 1, 2022 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2021.

The capital appreciation bonds mature December 1, 2015 through December 1, 2016 and December 1, 2021. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$735,000. For fiscal year 2015, the accretion amount was \$49,770.

***Other Long-Term Debt***

The capital leases will be paid from the general fund. Compensated absences will be paid from the general fund and the food service fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Totals	
	Principal	Interest	Principal	Accretion	Principal	Interest/Accretion
2016	\$ 570,000	\$ 196,572	\$ 297,542	\$ 47,458	\$ 867,542	\$ 244,030
2017	0	186,312	339,952	727,582	339,952	913,894
2018	35,000	186,050	296,625	750,910	331,625	936,960
2019	35,000	185,525	276,982	775,552	311,982	961,077
2020	35,000	185,000	260,948	801,586	295,948	986,586
2021-2025	1,440,000	849,393	140,931	214,069	1,580,931	1,063,462
2026-2030	2,060,000	577,090	0	0	2,060,000	577,090
2031-2034	1,935,000	158,700	0	0	1,935,000	158,700
<b>Total</b>	<b>\$ 6,110,000</b>	<b>\$ 2,524,642</b>	<b>\$ 1,612,980</b>	<b>\$ 3,317,157</b>	<b>\$ 7,722,980</b>	<b>\$ 5,841,799</b>

**NOTE 13: CAPITALIZED LEASES**

On April 1, 2015 the School District entered into a lease agreement for six copiers. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. Capital assets acquired by the leases have been capitalized in the governmental activities for \$158,240 which is the amount equal to the present value of the minimum lease payments at the time of acquisition.

Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds. These expenditures are reflected as support services-operation and maintenance of plant expenditures on the budgetary basis in the general fund.

The following summarizes future minimum lease payments made from the general fund under the above capital leases, and the present values of net minimum lease payments at June 30, 2015:

Fiscal Year Ending June 30,	2016	Leases
		\$ 33,888
	2017	33,888
	2018	33,888
	2019	33,888
	2020	25,418
<b>Total Minimum Lease Payments</b>		<b>160,970</b>
<b>Less: Amounts Representing Interest</b>		<b>10,156</b>
<b>Present Value of Net Minimum Lease Payments</b>		<b>\$ 150,814</b>

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 14: RELATED ORGANIZATION**

The Gnadenhutzen Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as a 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 levy, the rate and purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Gnadenhutzen Public Library, Clerk/Treasurer, Gnadenhutzen, Ohio.

**NOTE 15: JOINTLY GOVERNED ORGANIZATIONS**

***A. Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)***

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2015, the total amount paid to OME-RESA from the School District was \$74,831 for basic service charges. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

***B. Buckeye Career Center***

The Buckeye Career Center (the Career Center), a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the School District's continued participation and no measurable equity interest exists.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***C. Tuscarawas County Tax Incentive Review Council***

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the County Auditor's office and 8 members appointed by Boards of Education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists.

**NOTE 16: INSURANCE PURCHASING POOLS**

***Portage Area School Consortium***

The Portage Area School Consortium (the Consortium) is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone Pools; the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

The Ohio Revised Code Section 167.04 requires the Consortium to adopt bylaws designating the officers of the Consortium and their method of selection, creating a governing body to act for the Consortium, appointing a fiscal officer, and providing for the conduct of the Consortium's business. The Assembly is the legislative and managerial body of the Consortium. The Assembly is composed of representation of the member schools. The member school's governing body appoints one representative to the Consortium (usually the superintendent or designee). In the case of a member that is a school district, that representative shall be an executive appointed by the board of education. The Assembly serves without compensation.

**NOTE 17: CONTINGENCIES AND COMMITMENTS**

***A. Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***B. Litigation***

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

***C. Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$51,425 in the general fund and \$50,129 in the nonmajor governmental funds.

***D. School District Funding***

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

**NOTE 18: INTERFUND BALANCES**

Interfund balances at June 30, 2015 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 2,000	\$ 0
Other Governmental Fund:		
Race to the Top	0	2,000
Totals	\$ 2,000	\$ 2,000

The primary purpose of the interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received. All interfund loans are expected to be repaid within one year.

**NOTE 19: SET-ASIDES**

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

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Acquisition</u>
Set-aside Restricted Balance as of June 30, 2014	\$ 0
Current Year Set-Aside Requirement	325,767
Current Year Qualifying Disbursements	(389,428)
Current Year Offsets	<u>(130,608)</u>
 Totals	 <u>\$ (194,269)</u>
 Set-Aside Balance Carried Forward to Future Fiscal Years	 <u>\$ 0</u>
 Set-Aside Restricted Balance June 30, 2015	 <u>\$ 0</u>

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 20: FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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 as follows:

	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable for:				
Prepays	\$ 57,144	\$ 0	\$ 8,622	\$ 65,766
Material and Supplies Inventory	0	0	2,158	2,158
Total Nonspendable	<u>57,144</u>	<u>0</u>	<u>10,780</u>	<u>67,924</u>
Restricted for:				
Debt Service	0	1,386,779	0	1,386,779
Facilities Maintenance	0	0	225,539	225,539
Special Education	0	0	163	163
Food Services	0	0	490,140	490,140
Other Purposes	0	0	37,997	37,997
Total Restricted	<u>0</u>	<u>1,386,779</u>	<u>753,839</u>	<u>2,140,618</u>
Assigned for:				
Encumbrances:				
Instruction	33,119	0	0	33,119
Support Services	18,306	0	0	18,306
Extracurricular Activities	0	0	0	0
Subsequent Appropriations	16,100	0	0	16,100
	<u>67,525</u>	<u>0</u>	<u>0</u>	<u>67,525</u>
Unassigned	4,332,282	0	(1,583)	4,330,699
<i>Total Fund Balance</i>	<u>\$ 4,456,951</u>	<u>\$ 1,386,779</u>	<u>\$ 763,036</u>	<u>\$ 6,606,766</u>

**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>		
School District's proportion of the net pension liability (asset)	0.06446682%	0.06446682%
School District's proportionate share of the net pension liability (asset)	\$ 15,680,562	\$ 18,678,582
School District's covered-employee payroll	\$ 6,727,885	\$ 6,605,769
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	233.07%	282.76%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
 <b><i>School Employees Retirement System (SERS)</i></b>		
School District's proportion of the net pension liability (asset)	0.06895400%	0.06895400%
School District's proportionate share of the net pension liability (asset)	\$ 3,489,723	\$ 4,100,473
School District's covered-employee payroll	\$ 2,073,586	\$ 1,968,743
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	168.29%	208.28%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

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**Indian Valley Local School District**  
**Tuscarawas County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>			
Contractually Required Contribution	\$ 962,008	\$ 874,625	\$ 858,750
Contributions in Relation to the Contractually Required Contribution	<u>(962,008)</u>	<u>(874,625)</u>	<u>(858,750)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 6,871,486	\$ 6,727,885	\$ 6,605,769
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%
 <b><i>School Employees Retirement System (SERS)</i></b>			
Contractually required contribution	\$ 271,641	\$ 287,399	\$ 272,474
Contributions in relation to the contractually required contribution	<u>(271,641)</u>	<u>(287,399)</u>	<u>(272,474)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 2,061,009	\$ 2,073,586	\$ 1,968,743
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%

n/a - Information prior to 2008 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 861,766	\$ 830,647	\$ 809,111	\$ 816,415	\$ 874,296	\$ 848,508	\$ 873,228
<u>(861,766)</u>	<u>(830,647)</u>	<u>(809,111)</u>	<u>(816,415)</u>	<u>(874,296)</u>	<u>(848,508)</u>	<u>(873,228)</u>
<u>\$ 0</u>						
\$ 6,628,969	\$ 6,389,592	\$ 6,223,931	\$ 6,280,115	\$ 6,725,354	\$ 6,526,985	\$ 6,717,138
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 267,793	\$ 267,233	\$ 258,009	\$ 198,955	\$ 264,718	n/a	n/a
<u>(267,793)</u>	<u>(267,233)</u>	<u>(258,009)</u>	<u>(198,955)</u>	<u>(264,718)</u>	n/a	n/a
<u>\$ 0</u>	n/a	n/a				
\$ 1,991,026	\$ 2,125,959	\$ 1,905,532	\$ 2,021,900	\$ 2,695,703	n/a	n/a
13.45%	12.57%	13.54%	9.84%	9.82%	n/a	n/a

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed-Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014 / 2015	10.555	\$120,249	\$120,249
Cash Assistance:				
School Breakfast Program	2014 / 2015	10.553	99,092	99,092
National School Lunch Program	2014 / 2015	10.555	377,114	377,114
Cash Assistance Subtotal			<u>476,206</u>	<u>476,206</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			596,455	596,455
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed-Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	2014	84.010	52,949	96,578
	2015		428,553	377,846
Title I Grants to Local Educational Agencies			<u>481,502</u>	<u>474,424</u>
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA, Part B)	2014	84.027	39,034	69,138
	2015		357,041	314,941
			<u>396,075</u>	<u>384,079</u>
<i>Passed-Through East Central Ohio Educational Service Center:</i>				
Special Education - Preschool Grants (IDEA Preschool)	2015	84.173	11,314	11,314
Total Special Education Cluster (IDEA)			407,389	395,393
Twenty-First Century Community Learning Centers				
	2014	84.287		17,644
	2015		200,000	197,625
Total Twenty-First Century Community Learning Centers			<u>200,000</u>	<u>215,269</u>
Improving Teacher Quality State Grants				
	2014	84.367	7,584	13,265
	2015		69,700	61,004
Total Improving Teacher Quality State Grants			<u>77,284</u>	<u>74,269</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act				
	2014	84.395	(335)	50
	2015		28,642	26,981
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			<u>28,307</u>	<u>27,031</u>
Total U.S. Department of Education			1,194,482	1,186,386
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,790,937</u></b>	<b><u>\$1,782,841</u></b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of this Schedule.*

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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 School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's (ODE) consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amount from the 2014 to the 2015 program:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2014 to 2015</u>
ARRA - State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	84.395	\$ 335

**NOTE E – OHIO BUREAU OF WORKER'S COMPENSATION (BWC) REBATE**

Ohio's workers' compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers' Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts).

Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the School District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the School District's Schedule of Federal Awards Receipts and Expenditures.



# 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

Indian Valley Local School District  
Tuscarawas County  
100 North Walnut Street  
P.O. Box 171  
Gnadenhutten, Ohio 44629-0171

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Valley Local School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2016, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 16, 2016



# Dave Yost • Auditor of State

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

Indian Valley Local School District  
Tuscarawas County  
100 North Walnut Street  
P.O. Box 171  
Gnadenhutten, Ohio 44629-0171

To the Board of Education:

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

We have audited the Indian Valley Local School District's, Tuscarawas County, Ohio (the School 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 each of the School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

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

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

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

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

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

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

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 School District's internal control over compliance.

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 16, 2016

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Child Nutrition Cluster, CFDA #10.553/#10.555</li> <li>• Title I Grants to Local Educational Agencies, CFDA #84.010</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

INDIAN VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 29, 2016