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Certified Public Accountants, A.C.

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY
Single Audit
For the Year Ended June 30, 2015**

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Education
Lynchburg-Clay Local School District
301 East Pearl Street
Lynchburg, Ohio 45142

We have reviewed the Independent Auditor's Report of the Lynchburg-Clay Local School District, Highland County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 3, 2016

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**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY, OHIO**

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**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

February 1, 2016

Lynchburg-Clay Local School District
Highland County
301 East Pearl Street
Lynchburg, OH 45142

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 **Lynchburg-Clay Local School District**, Highland County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 Lynchburg-Clay Local School District, Highland County, Ohio, as of June 30, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund 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 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB statement No. 27* and 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 and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

As management of the Lynchburg Clay Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The School District completed the work on the new athletic track, new lighting on the soccer field and a new shelter house during 2015. The total cost of the track/shelter house project amounted to \$901,091. Of this amount, the School District entered into a ten year lease/purchase agreement with First State Bank for \$600,000.
- The School District had a net decrease in total enrollment but did have an increase in basic aid of \$712,000 and in open enrollment of \$50,000.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the financial statements. These statements are organized so the reader can understand Lynchburg Clay Local School District as a whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the School District as a whole, and present 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 major fund, with all other nonmajor funds presented in total in one column. The only major fund for the Lynchburg Clay Local School District is the General Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal 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. The 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. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs, and other factors.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page seven. Fund financial reports provide detailed information about the School District's major fund. 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 major 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 fiscal 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The Internal Service Fund is used to account for the vision benefits provided to employees, and payment of premiums for medical insurance to the insurance purchasing pool.

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

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 fiscal years 2015 and 2014:

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

(Table 1)
Net Position
Governmental Activities

	2015	Restated 2014	Change in Net Position
Assets:			
Current and Other Assets	\$10,766,628	\$11,437,649	(\$671,021)
Capital Assets, Net	16,895,626	16,435,728	459,898
Total Assets	<u>27,662,254</u>	<u>27,873,377</u>	<u>(211,123)</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	3,158	3,685	(527)
Pension	1,006,967	834,515	172,452
Total Deferred Outflows of Resources	<u>1,010,125</u>	<u>838,200</u>	<u>171,925</u>
Liabilities:			
Other Liabilities	1,159,845	1,435,242	(275,397)
Long-Term Liabilities			
Net Pension Liability	14,059,261	16,702,307	(2,643,046)
Other Amounts	2,145,269	2,365,166	(219,897)
Total Liabilities	<u>17,364,375</u>	<u>20,502,715</u>	<u>(3,138,340)</u>
Deferred Inflows of Resources:			
Property Taxes	1,835,442	1,951,439	(115,997)
Pension	2,537,887	0	2,537,887
Total Deferred Inflows of Resources	<u>4,373,329</u>	<u>1,951,439</u>	<u>2,421,890</u>
Net Position:			
Net Investment in Capital Assets	15,447,649	15,121,422	326,227
Restricted	1,250,159	1,430,089	(179,930)
Unrestricted	(9,763,133)	(10,294,088)	530,955
Total Net Position	<u>\$6,934,675</u>	<u>\$6,257,423</u>	<u>\$677,252</u>

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.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$22,125,215 to \$6,257,423.

Capital assets, net increased due to current year additions exceeding current year depreciation. Long-term liabilities decreased \$3,138,340. The majority of this decrease was due to the changes implemented with GASB 68 in accounting for pension liabilities. Unrestricted net position increased \$530,955, as a result of a decrease in net pension liability stemming from pension investment revenues exceeding expectations.

Total net position increased \$677,252. Net investment in capital assets increased due to current year additions exceeding current year depreciation.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 highlights the School District's revenues and expenses. These two main components are subtracted to yield the change in net position. This table uses the full accrual basis of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, contributions and interest. General Revenues include taxes, unrestricted grants, such as State foundation support, interest, and miscellaneous.

(Table 2)
Changes in Net Position
Governmental Activities

	2015	2014	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,125,199	\$1,037,522	\$87,677
Operating Grants, Contributions and Interest	1,931,543	1,843,924	87,619
Total Program Revenues	3,056,742	2,881,446	175,296
General Revenues:			
Property Taxes	2,222,001	1,989,975	232,026
Grants and Entitlements not Restricted to Specific Programs	8,552,598	8,065,919	486,679
Interest	72,076	108,069	(35,993)
Miscellaneous	120,015	121,959	(1,944)
Total General Revenues	10,966,690	10,285,922	680,768
Total Revenues	14,023,432	13,167,368	856,064
Program Expenses			
Instruction:			
Regular	5,634,523	6,285,163	(650,640)
Special	1,929,640	1,858,198	71,442
Vocational	211,809	223,541	(11,732)
Student Intervention Services	2,471	2,437	34
Support Services:			
Pupils	585,902	616,854	(30,952)
Instructional Staff	266,146	253,969	12,177
Board of Education	48,120	37,944	10,176
Administration	1,110,298	1,071,129	39,169
Fiscal	335,577	333,451	2,126
Business	48,016	40,361	7,655
Operation and Maintenance of Plant	1,241,934	1,146,256	95,678
Pupil Transportation	796,825	803,051	(6,226)
Central	73,505	12,500	61,005
Operation of Non-Instructional Services:			
Food Services	615,504	648,259	(32,755)
Extracurricular Activities	380,917	274,356	106,561
Interest and Fiscal Charges	64,993	58,090	6,903
Total Expenses	13,346,180	13,665,559	(\$319,379)
Change in Net Position	677,252	(498,191)	
Net Position at Beginning of Year	6,257,423	N/A	
Net Position at End of Year	\$6,934,675	\$6,257,423	

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Governmental Activities

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 \$834,515 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 \$597,109. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$13,346,180
Pension expense under GASB 68	(597,109)
2015 contractually required contribution	<u>874,720</u>
Adjusted 2015 program expenses	13,623,791
Total 2014 program expenses under GASB 27	<u>13,665,559</u>
Change in program expenses not related to pension	<u><u>(\$41,768)</u></u>

Operating grants, contributions and interest increased due primarily to the School District obtaining more in federal grant funding. Property Taxes increased due to an increase in assessed values. Grants and entitlements not restricted to specific programs increased due to an increase in State foundation monies received.

Regular instruction decreased due to there being less retirements in fiscal year 2015.

The School District's Funds

Information about the School District's major fund starts on page 14. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,001,699 and expenditures of \$14,294,233.

The General Fund had an increase in fund balance of \$259,473. The main reason for the increase in the General Fund balance is due to increases in State Foundation funding and property tax revenues.

General Fund - Budget 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. During the course of fiscal year 2015, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

For the General Fund, original and final budgeted revenues were \$12,502,261. Final budgeted revenues were \$3,768 more than actual revenues.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Original budgeted expenditures were \$2,441,372 more than the final budgeted expenditures of \$12,848,770. Such decreases were spanned over various expenditures as a result of the School District trying to cut costs in all possible areas. The actual budget basis expenditures were \$255,664 less than final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

The Lynchburg Clay Local School District's investment in capital assets as of June 30, 2015, was \$16,895,626. This investment in capital assets includes land; land improvements; buildings and building improvements; furniture, fixtures and equipment; vehicles; and books and educational media. Net capital assets increased \$459,898 from the prior fiscal year as a result of current year additions exceeding current year depreciation. For more information on capital assets, refer to the Note 9 to the basic financial statements.

Debt

At June 30, 2015, the School District had \$852,837 in bonds outstanding, with \$78,896 due within one year. The School District had capital leases outstanding totaling \$598,298. The School District's long-term obligations also includes a premium on refunding bonds and compensated absences.

The School District's overall legal debt margin was \$9,523,015, with an unvoted debt margin of \$108,397 at June 30, 2015.

For more information on debt, refer to the Note 15 to the basic financial statements.

District Challenges for the Future

Lynchburg Clay Local School District is heavily dependent on State funding.

While the Ohio Supreme Court ruled in March of 1997 that Ohio's funding of public schools is unconstitutional and needs to be restructured, subsequent Court reviews of the legislature's responses have found that the State legislature has not adequately responded to the specifics of the ruling. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

The State and national economy is showing signs of improvement with a rise in the employment rate in 2015. While the administration anticipates more State revenues in fiscal years 2016, the School District has continued to lose student population, the cost of materials and supplies, as well as food supplies continue to increase and there is no established funding model for fiscal years beyond 2015. The Governor of Ohio has made some deep cuts in government funding, while sparing education over the past two years and has announced additional funding for Schools in 2016 and 2017.

The projection of student enrollment is another issue that is hard to forecast. During 2015, the School District lost 10 students due to the economy and job opportunities, competition from other public schools, as well as on-line and charter schools. A significant increase in enrollment during the next several fiscal years is not expected.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

In schools, as in any other business, funding is always a major concern. Since schools are dependent on local and State taxes for a portion of their funding, it is important that the State legislature and the Governor make school funding a priority. The lack of appropriate State response to the DeRolph school funding lawsuit, the slow economic recovery, the various student educational options, the cost of implementing State and Federal mandates, and student enrollment projections all contribute to the difficult task of establishing financial projections for our School District.

Lynchburg Clay Local School District continues to utilize and demonstrate fiscal responsibility by adopting balanced budgets and not overspending the budgets. The Board and administrators are hopeful that public funding in Ohio is a priority for Ohio's political leaders and will permit Lynchburg Clay Local School District to continue to provide a quality education for our students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 information, contact Richard Hawk, Treasurer, at Lynchburg Clay Local School District, 301 East Pearl Street, P.O. Box 515, Lynchburg, Ohio 45142.

Lynchburg Clay Local School District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,380,722
Accrued Interest Receivable	14,953
Inventory Held for Resale	6,154
Materials and Supplies Inventory	853
Intergovernmental Receivable	133,847
Property Taxes Receivable	2,230,099
Capital Assets:	
Land	405,668
Depreciable Capital Assets, Net	16,489,958
<i>Total Assets</i>	27,662,254
Deferred Outflows of Resources:	
Deferred Charge on Refunding	3,158
Pension	1,006,967
<i>Total Deferred Outflows of Resources</i>	1,010,125
Liabilities:	
Accounts Payable	17,875
Accrued Wages and Benefits Payable	863,802
Intergovernmental Payable	233,354
Matured Compensated Absences Payable	31,092
Claims Payable	1,065
Accrued Interest Payable	12,657
Long-Term Liabilities:	
Due Within One Year	220,547
Due in More Than One Year:	
Net Pension Liability (See Note 11)	14,059,261
Other Amounts	1,924,722
<i>Total Liabilities</i>	17,364,375
Deferred Inflows of Resources:	
Property Taxes	1,835,442
Pension	2,537,887
<i>Total Deferred Inflows of Resources</i>	4,373,329
Net Position:	
Net Investment in Capital Assets	15,447,649
Restricted for:	
Capital Outlay	11,025
Debt Service	602,993
Classroom Facilities	579,701
Athletics	50,156
State and Federal Grants	6,284
Unrestricted (Deficit)	(9,763,133)
<i>Total Net Position</i>	\$6,934,675

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$5,634,523	\$657,156	\$86,856	(\$4,890,511)
Special	1,929,640	167,419	1,333,514	(428,707)
Vocational	211,809	21,656	60,218	(129,935)
Student Intervention Services	2,471	276	0	(2,195)
Support Services:				
Pupils	585,902	0	75,708	(510,194)
Instructional Staff	266,146	0	3,757	(262,389)
Board of Education	48,120	0	0	(48,120)
Administration	1,110,298	0	29,785	(1,080,513)
Fiscal	335,577	0	0	(335,577)
Business	48,016	0	0	(48,016)
Operation and Maintenance of Plant	1,241,934	60	5,406	(1,236,468)
Pupil Transportation	796,825	0	18,927	(777,898)
Central	73,505	0	0	(73,505)
Operation of Non-Instructional Services:				
Food Services	615,504	187,486	294,803	(133,215)
Extracurricular Activities	380,917	91,146	22,569	(267,202)
Interest and Fiscal Charges	64,993	0	0	(64,993)
Total Governmental Activities	\$13,346,180	\$1,125,199	\$1,931,543	(10,289,438)
General Revenues:				
Property Taxes Levied for:				
				2,053,822
				126,843
				41,336
Grants and Entitlements not				
				8,552,598
				72,076
				120,015
Total General Revenues				10,966,690
Change in Net Position				677,252
<i>Net Position at Beginning of Year - Restated - See Note 3</i>				<u>6,257,423</u>
<i>Net Position at End of Year</i>				<u><u>\$6,934,675</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$6,949,249	\$1,236,888	\$8,186,137
Inventory Held for Resale	0	6,154	6,154
Materials and Supplies Inventory	0	853	853
Accrued Interest Receivable	14,953	0	14,953
Interfund Receivable	47,635	0	47,635
Intergovernmental Receivable	27,767	106,080	133,847
Property Taxes Receivable	2,066,078	164,021	2,230,099
Total Assets	\$9,105,682	\$1,513,996	\$10,619,678
Liabilities:			
Accounts Payable	\$17,300	\$575	\$17,875
Accrued Wages and Benefits Payable	782,018	81,784	863,802
Interfund Payable	0	47,635	47,635
Intergovernmental Payable	227,124	6,230	233,354
Matured Compensated Absences Payable	29,001	2,091	31,092
Total Liabilities	1,055,443	138,315	1,193,758
Deferred Inflows of Resources:			
Property Taxes	1,701,323	134,119	1,835,442
Unavailable Revenue	185,012	47,436	232,448
Total Deferred Inflows of Resources	1,886,335	181,555	2,067,890
Fund Balances:			
Nonspendable	0	853	853
Restricted	0	1,254,246	1,254,246
Committed	11,000	0	11,000
Assigned	2,842,729	0	2,842,729
Unassigned (Deficit)	3,310,175	(60,973)	3,249,202
Total Fund Balances	6,163,904	1,194,126	7,358,030
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$9,105,682	\$1,513,996	\$10,619,678

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balances \$7,358,030

*Amounts reported for governmental activities in the
 Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	405,668	
Depreciable capital assets	34,274,206	
Accumulated depreciation	(17,784,248)	
Total capital assets		16,895,626

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent property taxes	165,516	
Intergovernmental	62,676	
Interest	4,256	
Total		232,448

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. 193,520

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (12,657)

Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.

Deferred Charge on Refunding	3,158
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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 the governmental funds:

Deferred Outflows - Pension	1,006,967	
Deferred Inflows - Pension	(2,537,887)	
Net Pension Liability	(14,059,261)	
Total		(15,590,181)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(838,896)	
Bond premium	(13,941)	
Capital leases	(598,298)	
Compensated absences	(694,134)	
Total liabilities		(2,145,269)

Net Position of Governmental Activities \$6,934,675

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$2,037,549	\$162,665	\$2,200,214
Intergovernmental	9,474,072	973,712	10,447,784
Interest	74,383	184	74,567
Tuition and Fees	846,507	0	846,507
Rent	60	0	60
Extracurricular Activities	834	90,312	91,146
Gifts and Donations	11,351	22,569	33,920
Customer Sales and Services	0	187,486	187,486
Miscellaneous	114,167	5,848	120,015
Total Revenues	12,558,923	1,442,776	14,001,699
Expenditures:			
Current:			
Instruction:			
Regular	5,836,818	77,593	5,914,411
Special	1,489,950	418,514	1,908,464
Vocational	206,276	12,500	218,776
Student Intervention Services	2,471	0	2,471
Support Services:			
Pupils	516,184	71,782	587,966
Instructional Staff	261,651	0	261,651
Board of Education	48,120	0	48,120
Administration	1,058,496	27,848	1,086,344
Fiscal	316,016	7,762	323,778
Business	10,654	0	10,654
Operation and Maintenance of Plant	1,192,996	37,093	1,230,089
Pupil Transportation	855,527	0	855,527
Central	73,505	0	73,505
Operation of Non-Instructional Services:			
Food Services	538	538,627	539,165
Extracurricular Activities	108,159	115,896	224,055
Capital Outlay	70,319	572,887	643,206
Debt Service:			
Principal Retirement	105,267	131,104	236,371
Interest and Fiscal Charges	92,593	37,087	129,680
Total Expenditures	12,245,540	2,048,693	14,294,233
Excess of Revenues Over (Under) Expenditures	313,383	(605,917)	(292,534)
Other Financing Sources (Uses):			
Transfers In	0	53,910	53,910
Transfers Out	(53,910)	0	(53,910)
Total Other Financing Sources (Uses)	(53,910)	53,910	0
Net Change in Fund Balances	259,473	(552,007)	(292,534)
Fund Balances at Beginning of Year	5,904,431	1,746,133	7,650,564
Fund Balances at End of Year	\$6,163,904	\$1,194,126	\$7,358,030

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds (\$292,534)

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	1,463,475	
Depreciation expense	(1,003,577)	
Excess of capital outlay over depreciation expense		459,898

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	21,787	
Intergovernmental	2,437	
Interest	(2,748)	
Total		21,476

The internal service fund used by management to charge the costs of insurance to individual funds is reported in the entity-wide Statement of Activities. 1,029

Amortization of bond premiums, amortization of loss on refunding of debt, as well as accrued interest payable on the bonds are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Increase in accrued interest payable	(9,598)	
Amortization of bond premium	2,324	
Amortization of loss on refunding	(527)	
Total		(7,801)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Bond payments	131,104	
Capital lease payments	105,267	
Total long-term debt repayment		236,371

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 874,720

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities. (597,109)

Some items 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. These activities consist of:

Increase in compensated absences payable	(18,798)
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Change in Net Position of Governmental Activities \$677,252

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,878,154	\$1,869,373	\$1,894,605	\$25,232
Intergovernmental	9,780,803	9,735,076	9,570,589	(164,487)
Interest	60,282	60,000	67,916	7,916
Tuition and Fees	741,572	738,105	846,507	108,402
Rent	301	300	60	(240)
Extracurricular Activities	2,187	2,177	834	(1,343)
Gifts and Donations	13,905	13,840	11,351	(2,489)
Miscellaneous	25,057	83,390	114,167	30,777
<i>Total Revenues</i>	<u>12,502,261</u>	<u>12,502,261</u>	<u>12,506,029</u>	<u>3,768</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,326,085	6,063,531	5,928,098	135,433
Special	1,777,972	1,509,760	1,491,631	18,129
Vocational	282,484	218,339	212,254	6,085
Student Intervention Services	0	2,885	2,471	414
Support Services:				
Pupils	648,965	550,805	540,481	10,324
Instructional Staff	362,463	302,143	294,962	7,181
Board of Education	59,992	50,725	47,988	2,737
Administration	1,348,070	1,117,628	1,086,277	31,351
Fiscal	395,375	334,098	334,098	0
Business	70,489	59,900	59,630	270
Operation and Maintenance of Plant	1,557,548	1,262,066	1,252,224	9,842
Pupil Transportation	1,112,310	902,886	895,036	7,850
Central	87,258	74,150	73,505	645
Operation of Non-Instructional Services	1,530	1,300	1,076	224
Extracurricular Activities	244,601	198,654	191,342	7,312
Capital Outlay	15,000	127,200	109,524	17,676
Debt Service:				
Interest and Fiscal Charges	0	72,700	72,509	191
<i>Total Expenditures</i>	<u>15,290,142</u>	<u>12,848,770</u>	<u>12,593,106</u>	<u>255,664</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,787,881)</u>	<u>(346,509)</u>	<u>(87,077)</u>	<u>259,432</u>
Other Financing Uses:				
Transfers Out	0	(53,910)	(53,910)	0
Other Financing Uses	0	(1,907,768)	0	1,907,768
<i>Total Other Financing Uses</i>	<u>0</u>	<u>(1,961,678)</u>	<u>(53,910)</u>	<u>1,907,768</u>
<i>Net Change in Fund Balance</i>	<u>(2,787,881)</u>	<u>(2,308,187)</u>	<u>(140,987)</u>	<u>2,167,200</u>
<i>Fund Balance at Beginning of Year</i>	6,496,330	6,496,330	6,496,330	0
<i>Prior Year Encumbrances Appropriated</i>	<u>400,028</u>	<u>400,028</u>	<u>400,028</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$4,108,477</u>	<u>\$4,588,171</u>	<u>\$6,755,371</u>	<u>\$2,167,200</u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2015

	<u>Self-Insurance Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$194,585
Liabilities:	
Claims Payable	<u>1,065</u>
Net Position:	
Unrestricted	<u><u>\$193,520</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	<u>Self-Insurance Fund</u>
<i>Operating Revenues:</i>	
Charges for Services	<u>\$1,560,647</u>
<i>Operating Expenses:</i>	
Purchased Services	1,545,602
Claims	<u>14,273</u>
<i>Total Operating Expenses</i>	<u>1,559,875</u>
<i>Operating Income</i>	772
<i>Non-Operating Revenues:</i>	
Interest	<u>257</u>
<i>Change in Net Position</i>	1,029
<i>Net Position at Beginning of Year</i>	<u>192,491</u>
<i>Net Position at End of Year</i>	<u><u>\$193,520</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Self-Insurance Fund
<i>Increases (Decreases) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Interfund Services Provided	\$1,560,647
Cash Payments to Suppliers for Goods and Services	(1,545,602)
Cash Payments for Claims	(14,273)
<i>Net Cash Received by Operating Activities</i>	772
<i>Cash Flows from Investing Activities:</i>	
Interest	257
<i>Increase in Cash and Cash Equivalents</i>	1,029
<i>Cash and Cash Equivalents at Beginning of Year</i>	192,491
<i>Cash and Cash Equivalents at End of Year</i>	\$193,520
<i>Reconciliation of Operating Income to Net Cash</i>	
<i>Received by Operating Activities:</i>	
Operating Income	\$772

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust Fund	
	Scholarship Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$506,671	\$50,877
Liabilities:		
Undistributed Monies	0	\$50,877
Net Position:		
Held in Trust for Scholarships	\$506,671	

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Fund
	Scholarship
<i>Additions:</i>	
Interest	\$1,598
<i>Deductions:</i>	
Payments in Accordance with Trust Agreements	1,000
<i>Change in Net Position</i>	598
<i>Net Position at Beginning of Year</i>	506,073
<i>Net Position at End of Year</i>	\$506,671

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Lynchburg Clay Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1853. The School District serves an area of approximately 114 square miles. It is located in Highland, Clinton, and Brown Counties, and includes all of the Village of Lynchburg; the community of Buford; Dodson, Salem, Hamer, Union, Clay, and Whiteoak Townships in Highland County; Perry and Green Townships in Brown County; and Clark Township in Clinton County. It is staffed by 76 classified employees, 87 certificated personnel and six administrative employees who provide services to 1,198 students. The School District currently operates three instructional buildings, one administrative building, and one garage.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Jointly Governed Organizations:

South Central Ohio Computer Association Regional Council of
Governments (SCOCARCoG)
Great Oaks Institute of Technology and Career Development

Insurance Purchasing Pools:

Brown County Schools Benefits Consortium
Ohio SchoolComp Workers’ Compensation Group Rating Plan

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 School District, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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 limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Fund Accounting

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 is the School District's major governmental fund:

General Fund - The General Fund is the operating fund of the School District and is used to account for and report all financial resources not 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.

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

Internal Service Fund - Internal Service Funds account for the financing of services provided by one department or agency to the other departments or agencies of the School District. The Internal Service Fund is used to account for vision benefits provided to employees and the collection and payment of premiums for medical insurance to the insurance purchasing pool.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust fund, used to account for college scholarship programs for students; and an agency fund, used to account for student managed activity programs.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 and 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. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible 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 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 non-exchange transactions must also be available before it can be recognized.

Lynchburg Clay Local School District
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For the Fiscal Year Ended June 30, 2015

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. 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 11.

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 the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental grants, and interest. 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 11)

Expenses/Expenditures

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

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

Pension

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2015, the School District's investments were limited to municipal bonds, Federal Home Loan Mortgage Association Bonds, Federal National Mortgage Association Notes and negotiable certificates of deposit. Investments are reported at fair value which is based on quoted market price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue, including an increase in the fair market value of investments, credited to the General Fund during fiscal year 2015 amounted to \$74,383, which includes \$16,276 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

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

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. 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 the asset's life are not capitalized.

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>
Land Improvements	20 years
Buildings and Building Improvements	20-50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years
Books and Educational Media	6 years

Lynchburg Clay Local School District
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Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent 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 absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability 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 employees will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the fund 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 net pension liability 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 that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or State Statute. State statute authorizes the Treasurer to assign fund balance for purchase orders provided such amounts have been lawfully appropriated.

Unassigned

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

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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for classroom facilities, athletics and state and federal grants.

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

Internal Activity

Transfers between government funds are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Lynchburg Clay Local School District
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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 and are eliminated from the statement of activities. 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.

Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal 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 amended certificate that were in effect at the time the final appropriations were passed.

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

Bond Premiums

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued.

Deferred Charge on Refunding

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$22,125,215
Adjustments:	
Net Pension Liability	(16,702,307)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>834,515</u>
Restated Net Position June 30, 2014	<u><u>\$6,257,423</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 4 - ACCOUNTABILITY

At June 30, 2015, the Food Service, Title VI-B, Title I, Title VI-R, and Miscellaneous Federal Special Revenue Funds had deficit fund balances of \$26,839, \$4,726, \$21,972, \$5,816, and \$767, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 for the General Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$259,473
Adjustments:	
Revenue Accruals	(47,675)
Increase in Fair Market Value of Investments Fiscal Year 2015	(5,730)
Decrease in Fair Market Value of Investments Fiscal Year 2014	511
Expenditure Accruals	(165,693)
Encumbrances	(235,783)
Advances	53,910
Budget Basis	(\$140,987)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Lynchburg Clay Local School District
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1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

As of June 30, 2015, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Investment Maturities (in Years)		Moody's or S&P's*	Percent of Total Investments
		Less than 1	1 - 5		
Municipal Bonds	\$270,953	\$0	\$270,953	AA	3.95%
Federal Home Loan Mortgage Association Bonds	903,393	0	903,393	AA+	13.17%
Federal National Mortgage Association Notes	1,050,158	0	1,050,158	AA+	15.31%
Negotiable Certificates of Deposit	4,635,598	751,290	3,884,308	N/A	67.57%
Totals	<u>\$6,860,102</u>	<u>\$751,290</u>	<u>\$6,108,812</u>		

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Lynchburg Clay Local School District
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Credit Risk

The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporations (FDIC). The percentage that each investment represents of the total investments is listed in the table above.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real 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 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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 – property taxes.

The amount available as an advance at June 30, 2015, was \$211,766 in the General Fund, \$13,163 in the Debt Service Fund, and \$4,212 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2014, was \$68,822 in the General Fund, \$7,473 in the Debt Service Fund, and \$2,463 in the Classroom Facilities Fund.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
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On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

	2014 Second - Half Collections		2015 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$96,996,630	96.39%	\$103,839,580	95.80%
Public Utility Personal	3,630,850	3.61%	4,557,480	4.20%
Total Assessed Value	<u>\$100,627,480</u>	<u>100.00%</u>	<u>\$108,397,060</u>	<u>100.00%</u>
Tax Rate Per \$1,000 of Assessed Valuation	\$24.55		\$24.55	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2015, consisted of interest, interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
School Employees Retirement System Reimbursement	\$27,767
Department of Agriculture Grant	2,750
Title II-A Grant	12,306
Title VI-B Grant	3,265
Title I Grant	63,610
IDEA-B Grant	23,823
IDEA Early Childhood Grant	326
Total Intergovernmental Receivable	<u>\$133,847</u>

NOTE 9 - CAPITAL ASSETS

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

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Notes to the Basic Financial Statements
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	Balance at 6/30/14	Additions	Deductions	Balance at 6/30/15
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$405,668	\$0	\$0	\$405,668
Construction in Progress	289,157	310,843	(600,000)	0
Total Capital Assets Not Being Depreciated	694,825	310,843	(600,000)	405,668
Capital Assets Being Depreciated:				
Land Improvements	2,310,725	837,443	0	3,148,168
Buildings and Building Improvements	25,070,689	645,521	0	25,716,210
Furniture, Fixtures and Equipment	2,934,997	183,794	(3,274)	3,115,517
Vehicles	1,543,412	85,874	0	1,629,286
Books and Educational Media	665,025	0	0	665,025
Total Capital Assets Being Depreciated	32,524,848	1,752,632	(3,274)	34,274,206
Less Accumulated Depreciation:				
Land Improvements	(1,492,720)	(125,231)	0	(1,617,951)
Buildings and Building Improvements	(11,019,495)	(631,430)	0	(11,650,925)
Furniture, Fixtures and Equipment	(2,294,483)	(181,070)	3,274	(2,472,279)
Vehicles	(1,313,847)	(65,485)	0	(1,379,332)
Books and Educational Media	(663,400)	(361)	0	(663,761)
Total Accumulated Depreciation	(16,783,945)	(1,003,577) *	3,274	(17,784,248)
Total Capital Assets Being Depreciated, Net	15,740,903	749,055	0	16,489,958
Governmental Activities Capital Assets, Net	\$16,435,728	\$1,059,898	(\$600,000)	\$16,895,626

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$508,226
Special	52,420
Vocational	21,118
Support Services:	
Pupils	11,343
Instructional Staff	12,708
Administration	71,617
Fiscal	940
Business	42,729
Operation and Maintenance of Plant	50,280
Pupil Transportation	66,377
Operation of Non-Instructional Services:	
Food Services	77,786
Extracurricular Activities	88,033
Total Depreciation Expense	\$1,003,577

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
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NOTE 10 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Wright Specialty Group for property insurance, fleet insurance, liability insurance, and inland marine coverage.

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

Workers' Compensation

For fiscal year 2015, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Vision Benefits

Vision benefits are provided through a self-insurance program. Monthly vision premiums are paid to Medical Mutual, who in turn pays the claims on the School District's behalf. The Lynchburg Clay Board of Education pays 100 percent of vision premiums.

The information presented below represents an estimate of vision claims. The claims liability of \$1,065 reported in the internal service fund at June 30, 2015, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	<u>Beginning of Fiscal Year</u>	<u>Fiscal Year Claims</u>	<u>Claims Payments</u>	<u>End of Fiscal Year</u>
2014	\$1,659	\$10,782	\$10,782	\$1,659
2015	1,659	13,679	14,273	1,065

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Employee Medical Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), an insurance purchasing pool (See Note 18) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums- to the Consortium for employee health coverage. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

NOTE 11 - 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.

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Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District’s contractually required contributions to SERS was \$218,351 for fiscal year 2015. Of this amount, \$17,087 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

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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.

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

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

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

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

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

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

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The School District's contractually required contribution to STRS was \$656,369 for fiscal year 2015. Of this amount, \$87,919 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>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,780,938	\$11,278,323	\$14,059,261
Proportion of the Net Pension Liability	0.05494900%	0.04636809%	
Pension Expense	\$162,670	\$434,439	\$597,109

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$23,669	\$108,578	\$132,247
School District contributions subsequent to the measurement date	<u>218,351</u>	<u>656,369</u>	<u>874,720</u>
Total Deferred Outflows of Resources	<u>\$242,020</u>	<u>\$764,947</u>	<u>\$1,006,967</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$451,354</u>	<u>\$2,086,533</u>	<u>\$2,537,887</u>

\$874,720 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$106,862)	(\$494,489)	(\$601,351)
2017	(106,862)	(494,489)	(601,351)
2018	(106,861)	(494,488)	(601,349)
2019	<u>(107,100)</u>	<u>(494,489)</u>	<u>(601,589)</u>
Total	<u>(\$427,685)</u>	<u>(\$1,977,955)</u>	<u>(\$2,405,640)</u>

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Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,967,572	\$2,780,938	\$1,782,876

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$16,146,151	\$11,278,323	\$7,161,781

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Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2015, three members of the Board of Education have elected Social Security and two members pay into SERS. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$28,536.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$42,654, \$29,694, and \$27,023, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription

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drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio, which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio 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, \$48,604, and \$47,945, respectively. The full amount has been contributed for all three fiscal years.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from School District policies and State laws. Eligible classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Each fiscal year, employees are given the option to request payment for up to 10 days of vacation leave at fiscal year-end.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days.

Special Termination Benefits

The School District offers an Early Notice of Retirement Incentive program to all employees who are eligible to retire under either SERS or STRS. The employees who give written notice of the intended retirement date on or before March 1 of the year in which they intend to retire will receive an incentive payment. The employees may exercise this option in the first, second, or third year of eligibility for retirement. The incentive amount is calculated by multiplying an average of the last three full years' wages by the years of service and a factor rate. The factor rate is .005 for the first year, .0033 for the second year, and .0025 for the third year. Payment is made during the month following the employees retirement.

Insurance Benefits

The School District provides dental insurance to its staff through a fully-insured, premium based plan provided by Superior Dental. The School District also provides life insurance and accidental death and dismemberment insurance to most employees through the Ohio Educational Employees Life Insurance Trust. The Lynchburg Clay Board of Education pays 100 percent of both dental and life insurance premiums.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years.

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According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 14 - LEASES – LESSEE DISCLOSURE

In prior fiscal years, the School District entered into a capitalized lease for music equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. The School District also acquired copiers by lease that was capitalized in the amount of \$195,303, which is equal to the present value of the minimum lease payments at the time of acquisition. The music equipment acquired by lease was capitalized in the amount of \$18,340, which is equal to the present value of the minimum lease payments at the time of acquisition. The athletic facility acquired by lease was capitalized in the amount of \$600,000, which is equal to the present value of the minimum lease payments at the time of acquisition.

The assets acquired through the capital lease as of June 30, 2015, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Buildings and Improvements	\$600,000	(\$60,000)	\$540,000
Furniture, Fixtures, and Equipment	213,643	(147,717)	65,926
Total	\$813,643	(\$207,717)	\$605,926

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,	Total Payments
2016	\$120,846
2017	73,860
2018	67,962
2019	68,390
2020	67,777
2021-2024	271,160
Total	669,995
Less: Amount Representing Interest	(71,697)
Present Value of Net Minimum Lease Payments	\$598,298

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NOTE 15 - LONG-TERM OBLIGATIONS

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

	Amounts Outstanding 6/30/2014	Additions	Deductions	Amounts Outstanding 6/30/2015	Amounts Due in One Year
Governmental Activities:					
1998 School Improvement					
Bonds, 3.8%	\$125,000	\$0	\$125,000	\$0	\$0
2008 School Improvement					
Bonds, 3.8%	845,000	0	6,104	838,896	78,896
Premium on Refunding	16,265	0	2,324	13,941	0
Total General Obligation Bonds	<u>986,265</u>	<u>0</u>	<u>133,428</u>	<u>852,837</u>	<u>78,896</u>
Net Pension Liability					
SERS	3,267,641	0	486,703	2,780,938	0
STRS	13,434,666	0	2,156,343	11,278,323	0
Total Net Pension Liability	<u>16,702,307</u>	<u>0</u>	<u>2,643,046</u>	<u>14,059,261</u>	<u>0</u>
Capital Leases	703,565	0	105,267	598,298	104,598
Compensated Absences	675,336	95,373	76,575	694,134	37,053
Total Governmental Activities	<u>\$19,067,473</u>	<u>\$95,373</u>	<u>\$2,958,316</u>	<u>\$16,204,530</u>	<u>\$220,547</u>

School Improvement Bonds – In July 1998, the School District issued school improvement bonds in the amount of \$2,330,600 for the construction of a new elementary school, a new high school, and renovations to the old high school building to be used as a middle school. The bonds were issued for a 23 year period with final maturity in fiscal year 2021. The bonds will be paid from the Debt Service Fund with property taxes.

In September 2008, the School District issued \$984,999 in school improvement bonds for the purpose of refunding a portion of the 1998 School Improvement Bonds. The bonds were issued for a 12 year period, with final maturity in December 2020. The bonds will be paid from the Debt Service Fund with property taxes.

The School District pays obligations relating to employee compensation from the fund benefitting their service. For additional information related to the net pension liability see note 11. Compensated absences will be paid from the General, Food Service, Title VI-B, Title I, and Title VI-R Funds.

The School District's overall legal debt margin was \$9,523,015, with an unvoted debt margin of \$108,397 at June 30, 2015.

Principal and interest requirements to retire the school improvement bonds outstanding at June 30, 2015, are as follows:

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Fiscal year Ending June 30,	Principal	Interest	Total
2016	\$78,896	\$90,779	\$169,675
2017	145,000	26,957	171,957
2018	145,000	21,519	166,519
2019	150,000	15,800	165,800
2020	160,000	9,600	169,600
2021	160,000	3,200	163,200
Total	<u>\$838,896</u>	<u>\$167,855</u>	<u>\$1,006,751</u>

NOTE 16 - INTERFUND ACTIVITY

Transfers To/From Other Funds

Transfers made during the fiscal year ended June 30, 2015, were as follows:

Transfer From	Transfer To
General Fund	Food Service Fund
	<u>\$53,910</u>

Transfers were made to the Food Service Fund to support programs accounted for in the fund.

Advances To/From Other Funds

Payable	Receivable
Nonmajor Governmental Funds	General Fund
	<u>\$47,635</u>

The General Fund advanced money to the Vocational Education, Title VI-B, Title I, Early Childhood Education, Improving Teacher Quality and Miscellaneous Federal Grant Funds to cover negative cash balances. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use those restricted monies to reimburse the General Fund for the initial advance.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCARCoG is an association of public Educational Service Centers within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Educational Service Centers. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SCOCARCoG \$19,424 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board exercises total control over the operations of Great Oaks Institute of Technology and Career Development including budgeting, appropriating, contracting and designating management. Great Oaks offers career technical programs to high school juniors and seniors of the School District. Each School District's degree of control is limited to its representation on the board. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, Ohio, 45241-1581.

NOTE 18 - INSURANCE PURCHASING POOLS

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

Ohio SchoolComp Workers' Compensation Group Rating Plan

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 19 - SET-ASIDE CALCULATIONS

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Acquisition
Set-Aside Balance as of June 30, 2014	\$0
Current Fiscal Year Set-aside Requirement	205,146
Current Fiscal Year Qualifying Expenditures	(108,328)
Current Fiscal Year Offsets	(96,818)
Set-Aside Balance as of June 30, 2015	\$0

Amounts of offsets and qualifying disbursements presented in the table for the capital acquisitions were limited to those necessary to reduce the fiscal year-end balance to zero.

NOTE 20- FUND BALANCE

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

Fund Balances	General Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>			
Inventory	\$0	\$853	\$853
<i>Restricted for</i>			
Debt Service	0	606,176	606,176
Permanent Improvements	0	11,025	11,025
Classroom Facilities	0	577,997	577,997
District Managed Activity	0	50,156	50,156
State Grants	0	8,892	8,892
<i>Total Restricted</i>	0	1,254,246	1,254,246
<i>Committed to</i>			
Underground Storage	11,000	0	11,000
<i>Assigned to</i>			
Future Appropriations	2,577,757	0	2,577,757
Purchases on Order	264,972	0	264,972
<i>Total Assigned</i>	2,842,729	0	2,842,729
<i>Unassigned (Deficit)</i>	3,310,175	(60,973)	3,249,202
<i>Total Fund Balances (Deficit)</i>	\$6,163,904	\$1,194,126	\$7,358,030

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 21 – SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	\$235,783
Nonmajor Governmental Funds	39,036
Total	<u>\$274,819</u>

NOTE 22 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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.

School Foundation

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

Litigation

The School District is not party to any legal proceedings.

Lynchburg Clay Local School District

Required Supplementary Information

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.05494900%	0.05494900%
School District's Proportionate Share of the Net Pension Liability	\$2,780,938	\$3,267,641
School District's Covered-Employee Payroll	\$1,595,618	\$1,695,763
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.29%	192.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.04636809%	0.04636809%
School District's Proportionate Share of the Net Pension Liability	\$11,278,323	\$13,434,666
School District's Covered-Employee Payroll	\$4,718,169	\$4,794,546
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	239.04%	280.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

Lynchburg Clay Local School District
 Required Supplementary Information
 Schedule of School District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution	\$218,351	\$221,153	\$234,694	\$224,647	\$193,873
Contributions in Relation to the Contractually Required Contribution	<u>(218,351)</u>	<u>(221,153)</u>	<u>(234,694)</u>	<u>(224,647)</u>	<u>(193,873)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,656,686	\$1,595,618	\$1,695,763	\$1,670,236	\$1,542,345
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$260,693	\$171,127	\$98,810	\$89,895	\$89,521
<u>(260,693)</u>	<u>(171,127)</u>	<u>(98,810)</u>	<u>(89,895)</u>	<u>(89,521)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,925,352	\$1,739,098	\$1,006,212	\$841,713	\$846,134
13.54%	9.84%	9.82%	10.68%	10.58%

Lynchburg Clay Local School District
 Required Supplementary Information
 Schedule of School District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$656,369	\$613,362	\$623,291	\$690,911
Contributions in Relation to the Contractually Required Contribution	<u>(656,369)</u>	<u>(613,362)</u>	<u>(623,291)</u>	<u>(690,911)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered-Employee Payroll	\$4,688,350	\$4,718,169	\$4,794,546	\$5,314,700
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$547,434	\$643,824	\$622,793	\$612,634	\$573,135	\$535,219
<u>(547,434)</u>	<u>(643,824)</u>	<u>(622,793)</u>	<u>(612,634)</u>	<u>(573,135)</u>	<u>(535,219)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,211,031	\$4,952,492	\$4,790,715	\$4,712,569	\$4,408,731	\$4,117,069
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Non-Cash Assistance:					
National School Lunch Program	10.555	\$ -	\$ 28,036	\$ -	\$ 28,036
Cash Assistance:					
National School Breakfast Program	10.553	70,938	-	70,938	-
National School Lunch	10.555	183,918	-	183,918	-
Summer Food Service Program	10.559	15,793	-	15,793	-
Total U.S. Department of Agriculture		270,649	28,036	270,649	28,036
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Title 1 Cluster					
Title 1 - FY 14	84.010	42,776	-	34,266	-
Title 1 - FY 15		224,637	-	249,738	-
<i>Total Title I Cluster</i>		267,413	-	284,004	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY14	84.027	27,850	-	16,647	-
IDEA Part B - FY15		200,464	-	210,734	-
Preschool Subsidy - FY 15	84.173	2,900	-	3,226	-
<i>Total Special Education Cluster</i>		231,214	-	230,607	-
<i>Additional Programs:</i>					
Title II-A Improving Teacher Quality - FY14	84.367	8,519	-	6,759	-
Title II-A Improving Teacher Quality - FY15		42,104	-	47,761	-
Small, Rural School Achievement Program FY14	84.358A	3,077	-	750	-
Small, Rural School Achievement Program FY15		19,596	-	23,129	-
<i>Total Additional Programs</i>		73,296	-	78,399	-
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Career Education - FY15	84.048	4,000	-	5,139	-
<i>Total Passed through Great Oaks Institute of Technology</i>		4,000	-	5,139	-
Total Department of Education		575,923	-	598,149	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 846,572	\$ 28,036	\$ 868,798	\$ 28,036

The accompanying notes to this schedule are an integral part of this schedule.

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY, OHIO**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

February 1, 2016

Lynchburg-Clay Local School District
Highland County
301 East Pearl Street
Lynchburg, Ohio 45142

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 **Lynchburg-Clay Local School District**, Highland County (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2016, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Report for Pensions – an amendment of GASB Statement No. 27* and 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 District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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



...“bringing more to the table”

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

Members: American Institute of Certified Public Accountants

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

• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

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



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

February 1, 2016

Lynchburg-Clay Local School District
Highland County
301 East Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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



... "bringing more to the table"

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

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Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



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

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY, OHIO**

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

LYNCHBURG CLAY LOCAL SCHOOL DISTRICT

HIGHLAND 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
MAY 17, 2016