

PLEASANT LOCAL SCHOOL DISTRICT

MARION COUNTY

AUDIT REPORT

For the Year Ended June 30, 2015



Dave Yost • Auditor of State

Board of Education
Pleasant Local School District
1107 Owens Road West
Marion, OH 43302

We have reviewed the *Independent Auditor's Report* of the Pleasant Local School District, Marion County, prepared by Charles E. Harris & Associates, Inc., 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 Pleasant Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 4, 2016

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PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY
AUDIT REPORT
For the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Pleasant Local School District, Marion 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 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 opinion.

Opinion

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

Emphasis of Matter

As discussed in Note 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 – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 21, 2015

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

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

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$552,016 from 2014. Further analysis of this increase may be found on page seven.
- Revenues for governmental activities totaled \$13,479,725 in 2015. Of this total, \$8,787,357 or 65.2 percent consisted of general revenues while program revenues accounted for the balance of \$4,692,368 or 34.8 percent.
- The School District had \$12,927,709 in expenses related to governmental activities; only \$4,692,368 of these expenses was offset by program specific charges for services, operating and capital grants and contributions. General revenues (primarily taxes and school foundation) of \$8,787,357 were adequate for these programs.
- Program expenses totaled \$12,927,709. Instructional expenses made up \$8,154,325 or 63.1 percent of this total while support services accounted for \$3,287,598 or 25.4 percent. Other expenses, \$1,485,786 rounded out the remaining 11.5 percent.
- At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of \$4,685,048, an increase of \$148,936 from 2014.

Using this Annual Financial Report

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

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Pleasant Local School District, the general fund, permanent improvement capital projects fund, and debt service fund are the most significant funds.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the School District as a whole begins on page 5. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Position* and the *Statement of Activities* assist in answering these questions. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School Districts' activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. Fund financial reports provide detailed information about the general fund, the permanent improvement capital projects fund and the debt service fund and the building fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation.

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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's own programs. These 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.

Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2015, the School District had an increase in net position of \$552,016.

Capital assets, reported on the government-wide statements represent a large component of net position. Capital assets include land, land improvements, buildings and building improvements, furniture, fixtures and equipment, vehicles and infrastructure used to provide services to students and are not available for future spending.

Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$945,621, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$704,123 or 74.5 percent is restricted for debt service payments and another small amount, \$241,498 or 25.5 percent is restricted for other purposes. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

Pleasant 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
Assets		
Current and other assets	\$ 7,871,600	\$ 7,576,996
Capital assets, net of depreciation	6,033,832	6,323,380
Total assets	13,905,432	13,900,376
Deferred outflows of resources		
Pension	1,003,745	832,237
Liabilities		
Other liabilities	1,196,049	1,018,046
Long-term liabilities:		
Due within one year	359,032	383,780
Due in more than one year:		
Net pension liability	14,238,830	16,926,333
Other amounts due in more than one year	1,073,070	1,504,422
Total liabilities	16,866,981	19,832,581
Deferred inflows of resources		
Property taxes	1,720,935	1,716,103
Pension	2,585,316	-
Total deferred inflows of resources	4,306,251	1,716,103
Net Position		
Net investment in capital assets	5,101,473	5,117,897
Restricted	945,621	973,613
Unrestricted	(12,311,149)	(12,907,581)
Total net position	\$ (6,264,055)	\$ (6,816,071)

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. 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. This implementation also had the effect of restating net position at June 30, 2014, from \$9,278,025 to \$(6,816,071). See Note 3 to the basic financial statements for further discussion on the implementation of GASB 68.

Pleasant Local School District
Management's Discussion and Analysis
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The School District's statement of activities prepared on an accrual basis of accounting includes an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

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

Table 2
Governmental Activities

	<u>2015</u>	<u>2014</u>
Program Revenues		
Charges for services	\$ 3,574,486	\$ 2,622,580
Operating grants and contributions	<u>1,117,882</u>	<u>1,174,215</u>
Total program revenues	<u>4,692,368</u>	<u>3,796,795</u>
General Revenues		
Property taxes	4,303,942	4,109,353
Grants and entitlements	4,430,215	4,527,595
Gain on sale of capital assets	-	3,682
Investment earnings	12,298	10,782
Miscellaneous	<u>40,902</u>	<u>72,692</u>
Total general revenues	<u>8,787,357</u>	<u>8,724,104</u>
Total revenues	<u>13,479,725</u>	<u>12,520,899</u>
Program Expenses		
Instruction:		
Regular	7,013,737	6,970,289
Special	832,654	706,942
Vocational	138,546	146,350
Other	169,388	192,780
Support services:		
Pupils	356,685	364,301
Instructional staff	255,911	243,843
Board of education	32,544	42,390
Administration	946,203	976,409
Fiscal	297,964	297,752
Operation and maintenance of plant	955,963	990,455
Pupil transportation	403,055	417,982
Central	39,273	21,738
Operation non-instructional services	994,132	458,014
Extracurricular activities	465,275	449,262
Interest and fiscal charges	<u>26,379</u>	<u>32,691</u>
Total Program Expenses	<u>12,927,709</u>	<u>12,311,198</u>
Change in net position	<u>\$ 552,016</u>	<u>\$ 209,701</u>

Pleasant Local School District
Management's Discussion and Analysis
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Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$4.3 million in 2015. The property tax revenue increased from the prior year due to an increase in the amount available as an advance. General revenues from grants and entitlements, such as the school foundation program, generated over \$4.4 million. With the combination of taxes and intergovernmental funding 64.8 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects that the total cost of instructional services was \$8,154,325 or 63.1 percent of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses increased \$137,964, or 1.7 percent mainly due to increased enrollment.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$612,596 of the total governmental program expenses, or 4.7 percent. These expenses increased from the prior year in the amount of \$4,452, or 0.7 percent not due to any one specific reason.

Board of Education, administration and fiscal classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$1,276,711 or 9.9 percent of governmental program expenses. Expenses of these programs decreased \$39,840, or 3.0 percent, as compared to fiscal year 2014.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$955,963 or 7.4 percent of the governmental program expenses. Expenses for providing this program decreased \$34,492, or 3.5 percent as compared to the prior year.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$403,055 or 3.1 percent of the total governmental program expenditures. Expenses for providing this program decreased \$14,927, or 3.6 percent as compared to the prior year.

The dependence upon tax revenues for governmental activities is apparent with only 36.3 percent of governmental expenses supported by program revenues.

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 \$832,237 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 \$595,375. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Pleasant Local School District
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Total 2015 program expenses under GASB 68	\$ 12,927,709
Pension expense under GASB 68	(595,375)
2015 contractually required contribution	<u>869,070</u>
Adjusted 2015 program expenses	13,201,404
Total 2014 program expenses under GASB 27	<u>12,311,198</u>
Increase in program expenses not related to pension	<u>\$ 890,206</u>

As a result of GASB 68, the School District is reporting a significant net pension liability and related deferred inflows of resources which have a negative effect on net position. In addition, the School District is reporting deferred outflows of resources and a reduction of expenses related to pension for this fiscal year, which have a positive consequence on net position. This expense amount is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. These two amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of this new accounting standard on the School District's net position, additional information is presented below.

Net position	\$ (6,264,055)
Deferred outflows - pension	(1,003,745)
Deferred inflows - pension	2,585,316
Net pension liability	<u>14,238,830</u>
Net position without new standard	<u>\$ 9,556,346</u>
Impact of GASB 68 on net position end of year	\$ (15,820,401)
Pension expense under GASB 68	595,375
Contractually required contribution	<u>(869,070)</u>
Impact of GASB 68 on net position beginning of year	<u>\$ (16,094,096)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The general fund experienced a 12.84 percent increase in fund balance.

Table 3
Fund Balances

	<u>Fund Balance</u> June 30, 2015	<u>Fund Balance</u> June 30, 2014	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
General	\$ 3,244,355	\$ 2,875,096	\$ 369,259	12.84
Permanent improvement	548,801	766,610	(217,809)	(28.41)
Debt service	696,864	733,672	(36,808)	(5.02)
Other governmental	<u>195,028</u>	<u>160,734</u>	<u>34,294</u>	21.34
Total	<u>\$ 4,685,048</u>	<u>\$ 4,536,112</u>	<u>\$ 148,936</u>	

Pleasant Local School District
Management's Discussion and Analysis
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General Fund

The net change in fund balance for the fiscal year was not too significant in the general fund reporting a fund balance of \$3,244,355, an increase of \$369,259 from 2014. This increase was primarily attributable to an increase in property tax, tuition and fees and charges for services revenues.

Table 4
General Fund Changes in Revenues and Expenditures

	2015 Amount	2014 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 4,160,306	\$ 3,988,622	\$ 171,684	4.30%
Intergovernmental	4,480,973	4,547,171	(66,198)	-1.46%
Interest	12,298	11,308	990	8.75%
Tuition and fees	2,376,882	2,071,904	304,978	14.72%
Extracurricular activities	64,690	74,136	(9,446)	-12.74%
Gifts and donations	8,645	654	7,991	1221.87%
Charges for services	501,216	7,440	493,776	6636.77%
Rent	119,583	-	119,583	0.00%
Miscellaneous	36,207	72,038	(35,831)	-49.74%
Total revenues	<u>11,760,800</u>	<u>10,773,273</u>	<u>987,527</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,016,734	6,673,084	343,650	5.15%
Special	728,127	582,746	145,381	24.95%
Vocational	176,712	140,721	35,991	25.58%
Other	699	8,724	(8,025)	-91.99%
Support services:				
Pupils	122,121	122,021	100	0.08%
Instructional staff	237,331	240,353	(3,022)	-1.26%
Board of education	32,799	42,390	(9,591)	-22.63%
Administration	785,725	779,839	5,886	0.75%
Fiscal	292,696	307,589	(14,893)	-4.84%
Operation and maintenance of plant	811,614	765,852	45,762	5.98%
Pupil transportation	325,262	336,897	(11,635)	-3.45%
Central	38,471	21,738	16,733	76.98%
Operation of non-instructional services	495,742	-	495,742	0.00%
Extracurricular	236,719	227,138	9,581	4.22%
Capital outlay	-	20,045	(20,045)	-100.00%
Debt service:				
Principal retirement	70,996	67,860	3,136	4.62%
Interest and fiscal charges	4,793	7,930	(3,137)	-39.56%
Total expenditures	<u>\$ 11,376,541</u>	<u>\$ 10,344,927</u>	<u>\$ 1,031,614</u>	

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

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2015, the School District amended its general fund budget as expenditure priorities changed according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was \$11,611,147, representing an increase of \$520,831 from the original budget estimate primarily due from revenues not known at the original budget process. Actual revenue and other financing sources of \$11,636,950 increased \$25,803 from the final budget basis revenue estimate. This increase of actual revenues was mainly due to intergovernmental and tuition and fees revenue that was not known at the budgeting process.

The difference between the original budget appropriations and other financing uses and the final amended budget appropriations and other financing uses of the general fund was an increase of \$802,099. The increase occurred in instruction and support services. Actual expenditures, including encumbrances were under budget by \$154,224. This was the result of conservative spending by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015 the School District had \$6,033,832 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$289,548 mainly due from current year depreciation expense exceeding current year additions. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Table 5
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$ 416,997	\$ 416,997
Land improvements	928,609	1,036,273
Buildings and building improvements	4,094,294	4,199,773
Furniture, fixtures and equipment	255,210	261,576
Vehicles	269,914	338,001
Infrastructure	68,808	70,760
Total capital assets	\$ 6,033,832	\$ 6,323,380

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Management's Discussion and Analysis
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Unaudited

Debt

At June 30, 2015, the School District had \$932,359 in bonds, loans and capital leases outstanding with \$262,755 due within one year. Table 6 summarizes the bonds outstanding:

Table 6
Outstanding Debt, at Fiscal Year End
Governmental Activities

	2015	2014
2011 School Improvement Bonds	\$ 845,000	\$ 1,045,000
Unamortized premium	3,261	5,389
2012 Energy Conservation Bonds	78,791	129,615
Capital leases	5,307	25,479
Total outstanding	\$ 932,359	\$ 1,205,483

At June 30, 2015, the School District had outstanding school improvement general obligation bonds, in the amount of \$845,000, for building improvements. The bonds, originally issued for a twenty-five year period, with final maturity on December 1, 2018, were refunded in fiscal year 2011, generating a savings of approximately \$155,000 to the School District over the remaining term of the bonds. The School District also had an outstanding energy conservation loan, with an outstanding balance of \$78,791. This loan will be fully retired in fiscal year 2017.

The School District also had outstanding capital leases for equipment, in the amount of \$5,307. In addition to the bonds and leases, the School District's long-term obligations include compensated absences. For further information regarding the School District's long-term obligations and capoitl leases, refer to Note 13 and 14 to the basic financial statements.

School District Outlook

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are at the local and State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

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

The School District continues to sponsor the Pleasant Community Academy, a community school learning opportunity for kindergarten students. The Academy completed its eleventh year of operations in fiscal year 2015. With this Academy, the School District has received federal grant funding enabling it to enhance technological learning opportunities and expand the curriculum for these students.

The School District also sponsors the Pleasant Education Academy (PEA). The PEA was established to provide educational services for students age sixteen to twenty-two who have either dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, suspension or other factors that may impede their educational progress. Federal grant fund for this Academy has also allowed for enhanced technological learning opportunities.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jolene Carter, Treasurer, Pleasant Local School District, 1107 Owens Road West, Marion, Ohio 43302.

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Pleasant Local School District

Statement of Net Position

June 30, 2015

	Primary	Component Units	
	Governmental Activities	Pleasant Community Academy	Pleasant Education Academy
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 3,970,131	\$ 826,732	\$ 220,481
Inventory held for resale	4,786	-	-
Receivables:			
Accounts	87,768	-	-
Intergovernmental	207,286	16,499	15,128
Accrued interest	2,722	-	-
Taxes	3,598,907	-	-
Capital assets:			
Nondepreciable capital assets	416,997	-	-
Depreciable capital assets	11,798,809	243,806	319,436
Accumulated depreciation	(6,181,974)	(226,782)	(288,127)
Total net capital assets	6,033,832	17,024	31,309
Total assets	13,905,432	860,255	266,918
<u>Deferred outflows of resources:</u>			
Pension	1,003,745	-	-
<u>Liabilities:</u>			
Accounts payable	245,498	88,594	15,059
Accrued wages and benefits	770,261	-	-
Intergovernmental payable	178,456	-	-
Accrued interest payable	1,834	-	-
Long-term liabilities:			
Due within one year	359,032	-	-
Due in more than one year:			
Net pension liability	14,238,830	-	-
Other amounts due in more than one year	1,073,070	-	-
Total liabilities	16,866,981	88,594	15,059
<u>Deferred inflows of resources:</u>			
Property taxes	1,720,935	-	-
Pension	2,585,316	-	-
Total deferred inflows of resources	4,306,251	-	-
<u>Net Position:</u>			
Net investment in capital assets	5,101,473	17,024	31,309
Restricted for:			
Debt service	704,123	-	-
Other purposes	241,498	4,840	13,122
Unrestricted	(12,311,149)	749,797	207,428
Total net position	\$ (6,264,055)	\$ 771,661	\$ 251,859

See accompanying notes to the basic financial statements.

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$ 7,013,737	\$ 2,333,155	\$ 66,233
Special	832,654	85,485	170,030
Vocational	138,546	-	-
Other	169,388	-	174,000
Support services:			
Pupils	356,685	16,715	208,828
Instructional staff	255,911	-	12,257
Board of education	32,544	-	-
Administration	946,203	-	180,853
Fiscal	297,964	-	-
Operation and maintenance of plant	955,963	119,583	-
Pupil transportation	403,055	-	12,014
Central	39,273	-	-
Operation of non-instructional services	994,132	783,892	244,659
Extracurricular activities	465,275	235,656	49,008
Interest and fiscal charges	26,379	-	-
Total primary government	<u>\$ 12,927,709</u>	<u>\$ 3,574,486</u>	<u>\$ 1,117,882</u>
<u>Component Units:</u>			
Pleasant Community Academy	<u>\$ 561,973</u>	<u>\$ -</u>	<u>\$ 34,556</u>
Pleasant Education Academy	<u>\$ 244,292</u>	<u>\$ -</u>	<u>\$ 33,558</u>

General Revenues:

Property taxes levied for:

General purposes

Debt service

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year, as restated

Net position end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Primary Government	Component Units	
Governmental Activities	Pleasant Community Academy	Pleasant Education Academy
\$ (4,614,349)	\$ -	\$ -
(577,139)	-	-
(138,546)	-	-
4,612	-	-
(131,142)	-	-
(243,654)	-	-
(32,544)	-	-
(765,350)	-	-
(297,964)	-	-
(836,380)	-	-
(391,041)	-	-
(39,273)	-	-
34,419	-	-
(180,611)	-	-
(26,379)	-	-
<u>(8,235,341)</u>	<u>-</u>	<u>-</u>
-	(527,417)	-
-	-	(210,734)
4,138,762	-	-
165,180	-	-
4,430,215	775,103	167,841
12,298	-	-
40,902	-	1,374
<u>8,787,357</u>	<u>775,103</u>	<u>169,215</u>
552,016	247,686	(41,519)
(6,816,071)	523,975	293,378
<u>\$ (6,264,055)</u>	<u>\$ 771,661</u>	<u>\$ 251,859</u>

Pleasant Local School District

Balance Sheet
Governmental Funds
June 30, 2015

	General	Permanent Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 2,486,907	\$ 646,550	\$ 633,905	\$ 202,769	\$ 3,970,131
Inventory held for resale	-	-	-	4,786	4,786
Receivables:					
Accounts	87,768	-	-	-	87,768
Intergovernmental	42,182	-	-	165,104	207,286
Accrued interest	2,722	-	-	-	2,722
Taxes	3,465,253	-	133,654	-	3,598,907
Total assets	<u>\$ 6,084,832</u>	<u>\$ 646,550</u>	<u>\$ 767,559</u>	<u>\$ 372,659</u>	<u>\$ 7,871,600</u>
<u>Liabilities, deferred inflows of resources and fund balances:</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 120,714	\$ 97,749	\$ -	\$ 27,035	\$ 245,498
Accrued wages and benefits	692,423	-	-	77,838	770,261
Intergovernmental payable	155,732	-	-	22,724	178,456
Total liabilities	<u>968,869</u>	<u>97,749</u>	<u>-</u>	<u>127,597</u>	<u>1,194,215</u>
<u>Deferred inflows of resources:</u>					
Property taxes	1,659,333	-	61,602	-	1,720,935
Unavailable revenue - delinquent property taxes	212,275	-	9,093	-	221,368
Unavailable revenue - other	-	-	-	50,034	50,034
Total deferred inflows of resources	<u>1,871,608</u>	<u>-</u>	<u>70,695</u>	<u>50,034</u>	<u>1,992,337</u>
<u>Fund balances:</u>					
Restricted for:					
Food service	-	-	-	80,975	80,975
Athletics and music	-	-	-	95,965	95,965
Instructional programs	-	-	-	12,694	12,694
Professional development	-	-	-	1,611	1,611
Technology	-	-	-	4,050	4,050
Debt service	-	-	696,864	-	696,864
Committed to underground storage tanks	11,000	-	-	-	11,000
Assigned to:					
Encumbrances	101,370	-	-	-	101,370
Next years budget	218,104	-	-	-	218,104
Permanent improvements	-	548,801	-	-	548,801
Unassigned	2,913,881	-	-	(267)	2,913,614
Total fund balances	<u>3,244,355</u>	<u>548,801</u>	<u>696,864</u>	<u>195,028</u>	<u>4,685,048</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,084,832</u>	<u>\$ 646,550</u>	<u>\$ 767,559</u>	<u>\$ 372,659</u>	<u>\$ 7,871,600</u>

See accompanying notes to the basic financial statements.

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

Total governmental fund balances		\$ 4,685,048
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.		6,033,832
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 221,368	
Intergovernmental	50,034	271,402
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 funds:		
Deferred outflows - pension	\$ 1,003,745	
Deferred inflows - pension	(2,585,316)	
Net pension liability	(14,238,830)	(15,820,401)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (845,000)	
Unamortized bond premium	(3,261)	
Energy conservation loan	(78,791)	
Compensated absences	(499,743)	
Capital leases	(5,307)	
Accrued interest payable	(1,834)	
Total	(1,433,936)	(1,433,936)
Net position of governmental activities		\$ (6,264,055)
See accompanying notes to the basic financial statements.		

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

	General	Permanent Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 4,160,306	\$ -	\$ 166,065	\$ -	\$ 4,326,371
Intergovernmental	4,480,973	-	25,490	1,005,057	5,511,520
Interest	12,298	-	-	3	12,301
Tuition and fees	2,376,882	-	-	-	2,376,882
Extracurricular activities	64,690	-	-	209,427	274,117
Gifts and donations	8,645	-	-	49,008	57,653
Charges for services	501,216	-	-	282,676	783,892
Rent	119,583	-	-	-	119,583
Miscellaneous	36,207	-	-	18,707	54,914
Total revenues	11,760,800	-	191,555	1,564,878	13,517,233
Expenditures:					
Current:					
Instruction:					
Regular	7,016,734	148,003	-	40,815	7,205,552
Special	728,127	-	-	117,249	845,376
Vocational	176,712	-	-	-	176,712
Other	699	-	-	171,339	172,038
Support services:					
Pupils	122,121	-	-	241,107	363,228
Instructional staff	237,331	-	-	12,407	249,738
Board of education	32,799	-	-	-	32,799
Administration	785,725	-	-	210,776	996,501
Fiscal	292,696	-	4,308	-	297,004
Operation and maintenance of plant	811,614	20,692	-	-	832,306
Pupil transportation	325,262	-	-	13,239	338,501
Central	38,471	-	-	604	39,075
Operation of non-instructional services	495,742	-	-	513,732	1,009,474
Extracurricular activities	236,719	-	-	188,519	425,238
Capital outlay	-	49,114	-	35,797	84,911
Debt service:					
Principal retirement	70,996	-	200,000	-	270,996
Interest and fiscal charges	4,793	-	24,055	-	28,848
Total expenditures	11,376,541	217,809	228,363	1,545,584	13,368,297
Excess of revenues over (under) expenditures	384,259	(217,809)	(36,808)	19,294	148,936
Other financing sources (uses):					
Transfers in	-	-	-	15,000	15,000
Transfers out	(15,000)	-	-	-	(15,000)
Total other financing sources (uses)	(15,000)	-	-	15,000	-
Net change in fund balances	369,259	(217,809)	(36,808)	34,294	148,936
Fund balances at beginning of year	2,875,096	766,610	733,672	160,734	4,536,112
Fund balances at end of year	\$ 3,244,355	\$ 548,801	\$ 696,864	\$ 195,028	\$ 4,685,048

See accompanying notes to the basic financial statements.

Pleasant 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		\$ 148,936
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. 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 asset additions	\$ 84,911	
Depreciation expense	<u>(374,459)</u>	
Excess of depreciation expense over capital asset additions		(289,548)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	\$ (22,429)	
Intergovernmental	<u>(15,079)</u>	
Net change in deferred inflows of resources during the year		(37,508)
Contractually required pension contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		869,070
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(595,375)
Repayment of bonds and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		250,824
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		20,172
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:		
Decrease in compensated absences	\$ 182,976	
Decrease in accrued interest payable	341	
Amortization of premium	<u>2,128</u>	
Total additional expenditures		<u>185,445</u>
Change in net position of governmental activities		<u><u>\$ 552,016</u></u>

See accompanying notes to the basic financial statements.

Pleasant 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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property taxes	\$ 3,940,861	\$ 4,122,717	\$ 4,122,716	\$ (1)
Intergovernmental	4,438,805	4,440,861	4,465,973	25,112
Interest	12,000	12,000	12,788	788
Tuition and fees	2,075,396	2,324,936	2,329,231	4,295
Rent	-	117,033	119,583	2,550
Extracurricular activities	38,500	25,000	24,237	(763)
Gifts and donations	6,000	6,000	6,000	-
Charges for services	450,618	450,618	433,377	(17,241)
Miscellaneous	78,136	25,000	34,902	9,902
Total revenues	11,040,316	11,524,165	11,548,807	24,642
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,666,951	6,806,275	7,001,042	(194,767)
Special	505,674	1,006,902	698,319	308,583
Vocational	147,014	158,278	183,052	(24,774)
Other	1,815	2,115	2,114	1
Support services:				
Pupils	131,702	139,747	135,363	4,384
Instructional staff	212,600	251,690	244,585	7,105
Board of education	33,490	40,536	37,160	3,376
Administration	771,981	804,612	806,995	(2,383)
Fiscal	287,534	306,919	304,131	2,788
Operation and maintenance of plant	882,467	916,756	888,673	28,083
Pupil transportation	373,283	401,791	358,728	43,063
Central	44,327	45,421	41,132	4,289
Operation of non-instructional services:				
Shared services	450,618	433,407	433,377	30
Extracurricular activities	232,618	229,724	230,279	(555)
Debt service:				
Principal retirement	50,186	50,825	50,824	1
Interest and fiscal charges	4,080	3,441	3,441	-
Total expenditures	10,796,340	11,598,439	11,419,215	179,224
Excess of revenues over (under) expenditures	243,976	(74,274)	129,592	203,866
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	-	35,664	36,825	1,161
Insurance recoveries	-	1,318	1,318	-
Advances in	50,000	50,000	50,000	-
Transfers out	(20,000)	(20,000)	(45,000)	(25,000)
Total other financing sources (uses)	30,000	66,982	43,143	(23,839)
Net change in fund balance	273,976	(7,292)	172,735	180,027
Fund balance at beginning of year	1,964,290	1,964,290	1,964,290	-
Prior year encumbrances appropriated	122,856	122,856	122,856	-
Fund balance at end of year	\$ 2,361,122	\$ 2,079,854	\$ 2,259,881	\$ 180,027

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust	Agency
	Scholarships	
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 26,275	\$ 31,735
Total assets	\$ 26,275	\$ 31,735
 <u>Liabilities:</u>		
Accounts payable	\$ -	\$ 1,236
Undistributed monies	-	639
Due to students	-	29,860
Total liabilities	-	\$ 31,735
 <u>Net position:</u>		
Held in trust for scholarships	16,275	
Endowment	10,000	
Total net position	\$ 26,275	

See accompanying notes to the basic financial statements.

Pleasant Local School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Scholarships
<u>Additions:</u>	
Gifts and donations	\$ 3,250
Interest	8
Total additions	3,258
 <u>Deductions:</u>	
Payments in accordance with trust agreements	4,399
Change in net position	(1,141)
Net position beginning of year	27,416
Net position end of year	\$ 26,275

See accompanying notes to the basic financial statements.

Pleasant 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

Pleasant 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 and federal guidelines.

The School District was established in 1916. The School District serves an area of approximately thirty-six square miles. It is located in Marion County and includes all of Pleasant Township, portions of Marion and Richland Townships, and a portion of the City of Marion. It is staffed by 57 classified employees, 88 certified teaching personnel, and 6 administrative employees who provide services to 1,187 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Pleasant 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.

The component unit column on the financial statements identify the financial data of the School District’s component units, Pleasant Community Academy (PCA) and Pleasant Education Academy (PEA). They are reported separately to emphasize that they are legally separate from the School District. Information about these component units is presented in Notes 18 and 19 to the basic financial statements.

Pleasant Community Academy. PCA is a legally separate, not-for-profit corporation. PCA, under a contractual agreement with the Pleasant Local School District, provides education opportunities to kindergarten students. Pleasant Local School District is PCA’s sponsoring government and PCA’s seven member Board of Directors is appointed by Pleasant Local School District’s Board of Education. Pleasant Local School District is financially accountable for PCA as it appoints PCA’s Board and can impose its will on PCA. PCA is reported as a discretely presented component unit on Pleasant Local School District’s financial statements.

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

Pleasant Education Academy. PEA is a legally separate, not-for-profit corporation. PEA, under a contractual agreement with the Pleasant Local School District, provides educational opportunities for students who have dropped out of high school or are at risk of dropping out of high school. Pleasant Local School District is PEA's sponsoring government and PEA's five member Board of Directors is appointed by Pleasant Local School District's Board of Education. Pleasant Local School District is financially accountable for PEA as it appoints PEA's Board and can impose its will on PEA. PEA is reported as a discretely presented component unit on Pleasant Local School District's financial statements.

The School District participates in six jointly governed organizations. These organizations are Tri-Rivers Educational Computer Association; Tri-Rivers Joint Vocational School; North Central Regional Professional Development Center; North Central Ohio Special Education Regional Resource Center; Northwestern Ohio Educational Research Council, Inc. and the Metropolitan Educational Council. These organizations are presented in Notes 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Pleasant 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 standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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.

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

Fund Financial Statements

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

B. Fund Accounting

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

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 liabilities is reported as fund balance. The School District's major funds are the general fund, permanent improvement capital projects fund and debt service fund.

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

Permanent Improvement Fund - The permanent improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.

Debt Service Fund - The debt service Fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

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

Fiduciary Funds

Fiduciary 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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, deferred outflows of resources, 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.

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, current liabilities and deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange 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 the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, “available” means expected to be received within sixty days of fiscal year end.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statement of financial position may report 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 consists of property taxes, and unavailable revenue. Property taxes represent amounts for which there was 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 deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of operation of non-instructional services. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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

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, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control selected by the Board is the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to an interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value).

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Cash not required to meet the immediate financial obligations of the district is invested in an investment pool operated under the auspices of the Treasurer of the State of Ohio as provided for by Ohio law so that the district can maximize its investment earnings. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds or federal grants, unless the Board specifically allows the interest to be recorded in other funds.

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

G. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

H. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and construction in progress, 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>Asset description</u>	<u>Estimated lives</u>
Land improvements	10 - 20 years
Buildings and improvements	10 - 100 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	10 - 15 years
Infrastructure	50 years

I. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

J. Premiums

In governmental fund types, premiums are recognized in the current period. On the statement of net position, premiums are amortized over the term of the debt using the bonds outstanding method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the debt.

K. Net pension liability and pension expense

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.

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

The current accounting standard requires School Districts to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding 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. Under the new standards, the net pension liability equals the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The School District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

L. 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 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.

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

M. Accrued Liabilities and Long-Term Obligations

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

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

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

N. Net Position

Net position represents the difference between all other elements on the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund Balance

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

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.

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 fund balance classification includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

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.

P. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

Q. Estimates

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

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	\$9,278,025
Adjustments:	
Net pension liability	(16,926,333)
Deferred outflow - payments subsequent to measurement date	<u>832,237</u>
Restated net position June 30, 2014	<u><u>(\$6,816,071)</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.

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

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law and described above 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 presented for the general fund is 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).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 369,259
Revenue accruals	(81,796)
Advances in	50,000
Expenditure accruals	1,214
Budgeted as part of special revenue funds:	
Revenues	(92,054)
Transfers to/from general fund	(30,000)
Expenditures	114,028
Encumbrances (Budget Basis) outstanding at year end	(157,916)
Budget basis	\$ 172,735

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

Note 5 - Deposits and Investments

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

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

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 within five years from the date of deposit or by savings or deposit accounts including pass book accounts.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 for a period not to exceed thirty days in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and

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

8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

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

A. Cash on Hand

At fiscal year-end, the School District had \$175 in undeposited cash on hand in various Board-approved change and petty cash accounts which is included as part of “equity in pooled cash and cash equivalents”.

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District’s deposits was \$4,026,987. The School District’s bank balance of \$4,223,298 was not exposed to custodial credit risk.

C. Investments

As of June 30, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
STAR Ohio	\$ 979	100.00%	53.4 ⁽¹⁾	AAAm
⁽¹⁾ Days (Average)				

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

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio an AAAM rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$12,298, which includes \$4,708 assigned from other School District funds.

Note 6 - 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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

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

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

The School District receives property taxes from Marion County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015, are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2015 and for which there was 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 reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources-property taxes. The amount available as an advance at June 30, 2015, was \$1,593,645 in the general fund and \$62,959 in the bond retirement debt service fund. 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.

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

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

<u>Property Category</u>	<u>2014 Assessed Value</u>
<u>Real Property</u>	
Residential and agricultural	\$ 155,054,590
Commercial, industrial and minerals	21,948,190
<u>Tangible Personal Property</u>	
Public utilities	<u>10,941,450</u>
Total	<u>\$ 187,944,230</u>

Note 7 - Receivables

Receivables at year-end consisted of taxes, accounts, interest, interfund, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General fund	\$ 42,182
Special revenue funds:	
Food service	4,978
IDEA, Part B special education	16,231
Title I	25,718
Title II-A	7,847
Miscellaneous federal grants	<u>110,330</u>
Total intergovernmental receivable	<u>\$ 207,286</u>

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

Note 8 - Capital Assets

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

<u>Governmental Activities</u>	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 416,997	\$ -	\$ -	\$ 416,997
Total capital assets, not being depreciated	<u>416,997</u>	<u>-</u>	<u>-</u>	<u>416,997</u>
Capital assets, being depreciated:				
Land improvements	2,747,030	-	-	2,747,030
Buildings and improvements	6,286,247	-	-	6,286,247
Furniture, fixtures and equipment	1,485,426	84,911	(89,695)	1,480,642
Vehicles	1,187,290	-	-	1,187,290
Infrastructure	<u>97,600</u>	<u>-</u>	<u>-</u>	<u>97,600</u>
Total capital assets, being depreciated	<u>11,803,593</u>	<u>84,911</u>	<u>(89,695)</u>	<u>11,798,809</u>
Less: Accumulated depreciation				
Land improvements	(1,710,757)	(107,664)	-	(1,818,421)
Buildings and improvements	(2,086,474)	(105,479)	-	(2,191,953)
Furniture, fixtures and equipment	(1,223,850)	(91,277)	89,695	(1,225,432)
Vehicles	(849,289)	(68,087)	-	(917,376)
Infrastructure	<u>(26,840)</u>	<u>(1,952)</u>	<u>-</u>	<u>(28,792)</u>
Total accumulated depreciation	<u>(5,897,210)</u>	<u>(374,459)</u>	<u>89,695</u>	<u>(6,181,974)</u>
Total capital assets being depreciated, net	<u>5,906,383</u>	<u>(289,548)</u>	<u>-</u>	<u>5,616,835</u>
Governmental activities capital assets, net	<u>\$ 6,323,380</u>	<u>\$ (289,548)</u>	<u>\$ -</u>	<u>\$ 6,033,832</u>

Pleasant Local School District
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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	102,384
Special		2,730
Vocational		156
Support services:		
Pupils		234
Instructional staff		2,807
Administration		302
Fiscal		464
Operation and maintenance of plant		141,014
Pupil transportation		69,363
Operation of non-instructional services		8,930
Extracurricular activities		46,075
Total depreciation	\$	<u>374,459</u>

Note 9 - Risk Management

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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

For fiscal year 2015, the School District participated in the Sheakley/Better Business Bureau of Central Ohio, Inc. Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley, Inc. provides administrative, cost control, and actuarial services to the Plan.

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

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

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

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

The 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.

A. School Employee Retirement System

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.

Pleasant Local School District
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Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017</u> *	Eligible to Retire on or after <u>August 1, 2017</u>
Full benefits	Age 65 with 5 years of service credit or 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 contribution to SERS was \$164,767 for fiscal year 2015. Of this amount \$2,756 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

Pleasant Local School District
Notes to the Basic Financial Statements
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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.

The School District's contractually required contribution to STRS was \$704,303 for fiscal year 2015. Of this amount \$100,869 is reported as an intergovernmental payable.

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

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	\$2,155,051	\$12,083,779	\$14,238,830
Proportion of the net pension liability	0.042582%	0.4967952%	
Pension expense	\$122,758	\$472,617	\$595,375

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	\$ 18,342	\$ 116,333	\$ 134,675
School District contributions subsequent to the measurement date	<u>164,767</u>	<u>704,303</u>	<u>869,070</u>
Total deferred outflows of resources	<u>\$ 183,109</u>	<u>\$ 820,636</u>	<u>\$ 1,003,745</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 349,771</u>	<u>\$ 2,235,545</u>	<u>\$ 2,585,316</u>

\$869,070 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:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (82,857)	\$ (529,803)	\$ (612,660)
2017	(82,857)	(529,803)	(612,660)
2018	(82,857)	(529,803)	(612,660)
2019	<u>(82,858)</u>	<u>(529,803)</u>	<u>(612,661)</u>
Total	<u>\$ (331,429)</u>	<u>\$ (2,119,212)</u>	<u>\$ (2,450,641)</u>

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

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 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:

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

<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	\$ 3,074,617	\$2,155,051	\$1,381,616

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.

Pleasant Local School District
Notes to the Basic Financial Statements
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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>100.00 %</u>	

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

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

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 17,299,246	\$12,083,779	\$7,673,248

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

C. 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 Retirement System. As of June 30, 2015, several members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages.

Note 11 - Postemployment Benefits

A. School Employee Retirement System

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 \$21,950.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$33,218, \$23,792, and \$24,576, respectively. For fiscal year 2015, 30.4 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

Pleasant Local School District
Notes to the Basic Financial Statements
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B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$50,599, and \$52,500 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified and administrative employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-one days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of forty-one and one-half days for all employees.

B. Health Care Benefits

The School District offers medical, dental, and life insurance benefits to employees through the Stark County Schools Council of Governments Health Benefit Plan. Employees share the cost of the monthly premium with the Board. The premium varies with the employee depending on the terms of the union contract.

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

Note 13 - Long-Term Obligations

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

<u>General Long-term Obligations</u>	Restated Balance July 1, 2014	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2015	Due within one year
<u>General Obligation Bonds and Loans</u>					
2011 School improvement bonds, 2.0% - 3.25%	\$ 1,045,000	\$ -	\$ (200,000)	\$ 845,000	\$ 205,000
Premium on bonds	5,389	-	(2,128)	3,261	-
2012 Energy conservation loan	129,615	-	(50,824)	78,791	52,448
Subtotal bonds and loans	<u>1,180,004</u>	<u>-</u>	<u>(252,952)</u>	<u>927,052</u>	<u>257,448</u>
<u>Other Obligations</u>					
Compensated absences	682,719	96,277	(279,253)	499,743	96,277
Capital leases:					
Copy machines	25,479	-	(20,172)	5,307	5,307
Subtotal other obligations	<u>708,198</u>	<u>96,277</u>	<u>(299,425)</u>	<u>505,050</u>	<u>101,584</u>
<u>Net Pension Liability</u>					
STRS	14,394,118	-	(2,310,339)	12,083,779	-
SERS	2,532,215	-	(377,164)	2,155,051	-
Subtotal net pension liability	<u>16,926,333</u>	<u>-</u>	<u>(2,687,503)</u>	<u>14,238,830</u>	<u>-</u>
Total general long-term obligations	<u>\$ 18,814,535</u>	<u>\$ 96,277</u>	<u>\$ (3,239,880)</u>	<u>\$ 15,670,932</u>	<u>\$ 359,032</u>

School Improvement General Obligation Bonds - On September 23, 1993, the School District issued \$4,500,000 in voted general obligation bonds for building improvements. The bonds were issued for a twenty-five year period, with final maturity on December 1, 2018. On April 29, 2011, the School District refunded these bonds with lower borrowing rates under then-current market conditions, resulting in a cash flow savings over the remaining life of the bonds. The bonds are being retired through the Bond Retirement debt service fund.

Energy Conservation Loan - On June 16, 2006, the School District obtained a loan, in the amount of \$649,941, to provide energy conservation measures for the School District. The loan was obtained for a ten year period, with final maturity in fiscal year 2015. On November 7, 2011, the School District obtained a new loan in the amount of \$250,000 to retire the existing loan. The new loan was obtained for a five year period with final maturity in fiscal year 2017. The loan is retired through the general fund.

During the fiscal year, the School District began using the termination method to determine the liability for sick leave benefits. The School District believes the termination method is preferable to the vesting method previously employed. This change in estimate is reflected during the current fiscal year. Compensated absences will be paid from the general fund.

Capital leases will also be paid from the general fund.

The School District pays pension obligations related to employee compensation from the fund benefitting from their service.

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

The School District's overall debt margin was \$15,991,190 with an unvoted debt margin of \$187,944 at June 30, 2015.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2015 were as follows:

Fiscal Year	School Improvement Bonds		Energy Conservation Loan		Total
	Principal	Interest	Principal	Interest	
2016	\$ 205,000	\$ 19,904	\$ 52,448	\$ 1,818	\$ 279,170
2017	205,000	15,701	26,343	790	247,834
2018	215,000	10,375	-	-	225,375
2019	220,000	3,575	-	-	223,575
Total	<u>\$ 845,000</u>	<u>\$ 49,555</u>	<u>\$ 78,791</u>	<u>\$ 2,608</u>	<u>\$ 975,954</u>

Note 14 - Capital Leases - Lessee Disclosure

In a prior year, the School District entered into a capital lease agreement for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$87,920 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$20,172. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal Year	Lease Payments
2016	\$ 5,381
Total minimum lease payments	5,381
Less: amount representing interest	(74)
Total	<u>\$ 5,307</u>

Note 15 – Statutory Reserves

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent 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.

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

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

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance <u>Reserve</u>
Set-aside cash balance as of June 30, 2014	\$ -
Current year set-aside requirement	206,356
Current year offset	(200,000)
Qualifying disbursements	<u>(71,525)</u>
Total	<u>\$ (65,169)</u>
Balance carried forward to future years	<u>\$ -</u>

Note 16- Interfund Transfers

During fiscal year 2015, the general fund made transfers to other governmental funds in the amount of \$15,000 to subsidize programs in other funds.

Note 17 - Donor Restricted Endowments

The School District’s private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$10,000 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$16,275 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 18 - Pleasant Community Academy

A. Basis of Presentation

Pleasant Community Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. Pleasant Community Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

B. Deposits and Investments

As of June 30, the carrying amount of the PCA’s deposits was \$826,732. The PCA’s entire bank balance was not exposed to custodial credit risk.

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

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Equipment	\$ 224,240	\$ 19,566	\$ -	\$ 243,806
Less accumulated depreciation	(218,301)	(8,481)	-	(226,782)
Net capital assets	<u>\$ 5,939</u>	<u>\$ 11,085</u>	<u>\$ -</u>	<u>\$ 17,024</u>

Note 19 - Pleasant Education Academy

A. Basis of Presentation

Pleasant Education Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. Pleasant Education Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

B. Deposits and Investments

As of June 30, the carrying amount of the PEA's deposits was \$220,481. The PEA's entire bank balance was not exposed to custodial credit risk.

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Equipment	\$ 279,920	\$ 39,516	\$ -	\$ 319,436
Less accumulated depreciation	(244,833)	(43,294)	-	(288,127)
Net capital assets	<u>\$ 35,087</u>	<u>\$ (3,778)</u>	<u>\$ -</u>	<u>\$ 31,309</u>

Note 20 - Jointly Governed Organizations

A. TRECA and META Solutions

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot 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 school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. In March 2015, TRECA completed a merger with the Metropolitan Educational Council (MEC) to form a council of governments called Metropolitan Educational Technology Association (META Solutions).

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

During fiscal year 2015, the School District paid \$23,963 to TRECA for various services. Financial information can be obtained from the META Solutions and TRECA, 100 Executive Drive, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

D. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from the Knox County Educational Service Center, 308 Martinsburg Road, Mt. Vernon, Ohio 43050.

E. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

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

F. Metropolitan Educational Council

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

Note 21 - Contingencies

A. Grants

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

B. Litigation

The School District is not involved in any litigation at this time.

C. School District Foundation Adjustments

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of 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 yet finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Note 22 – Accountability

As of June 30, 2015, one fund had a deficit fund balance. This deficit was caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following fund had a deficit balance:

<u>Fund</u>	<u>Amount</u>
Nonmajor governmental funds:	
IDEA, Part B special education	\$ 267

Required Supplementary Information

Pleasant Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio		
School District's proportion of the net pension liability	0.042582%	0.042582%
School District's proportionate share of the net pension liability	\$ 2,155,051	\$ 2,532,215
School District's covered employee payroll	\$ 1,215,678	\$ 1,222,355
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	177.27%	207.16%
Plan fiduciary net position as a percentage of total pension liability	71.70%	65.52%
	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio		
School District's proportion of the net pension liability	0.0496795%	0.0496795%
School District's proportionate share of the net pension liability	\$ 12,083,779	\$ 14,394,118
School District's covered employee payroll	\$ 5,105,723	\$ 5,435,254
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	236.67%	264.83%
Plan fiduciary net position as a percentage of total pension liability	74.70%	69.30%

(1) Information prior to 2013 is not available and the amounts presented are as of the School District's measurement date which is the prior fiscal year end.

Pleasant Local School District
 Required Supplementary Information
 Schedule of School District Contributions
 Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio			
Contractually required contribution	\$ 164,767	\$ 168,493	\$ 169,174
Contributions in relation to contractually required contribution	<u>(164,767)</u>	<u>(168,493)</u>	<u>(169,174)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 1,250,129	\$ 1,215,678	\$ 1,222,355
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%

	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio			
Contractually required contribution	\$ 704,303	\$ 663,744	\$ 706,583
Contributions in relation to contractually required contribution	<u>(704,303)</u>	<u>(663,744)</u>	<u>(706,583)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 5,030,736	\$ 5,105,723	\$ 5,435,254
Contributions as a percentage of covered employee payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

Pleasant Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY
Schedule of Federal Awards Receipts and Expenditures
For the year ended June 30, 2015

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass Through Ohio Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 34,374	\$ 34,374
National School Lunch Program			
Cash Assistance	10.555	192,438	192,438
Non-Cash Assistance (Food Distribution)	10.555	35,489	35,489
Total U.S. Department of Agriculture		<u>\$262,301</u>	<u>262,301</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass Through Ohio Department of Education:			
Title I Grants to Local Educational Agency	84.010	127,106	136,196
Special Education-Grants to States	84.027	204,519	199,617
Twenty-First Century Community Learning Centers	84.287	381,938	404,636
Improving Teacher Quality State Grants	84.367	34,496	34,641
Total U.S. Department of Education		<u>748,059</u>	<u>775,090</u>
TOTAL FEDERAL ASSISTANCE		<u><u>\$ 1,010,360</u></u>	<u><u>\$ 1,037,391</u></u>

See Notes to the Schedule of Federal Awards Receipts and Expenditures

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Pleasant 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 commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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

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

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

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, the discretely component units, each major fund, and the aggregate remaining fund information of the Pleasant Local School District, Marion 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 December 21, 2015. We noted the District adopted new accounting guidance in 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 - an Amendment of GASB Statement No. 68*.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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.



Charles E. Harris & Associates, Inc.
December 21, 2015

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

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Pleasant 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 District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

The District's basic financial statements include the operations of the Pleasant Community Academy and the Pleasant Education Academy, component units of the Pleasant Local School District. Pleasant Community Academy and Pleasant Education Academy received \$56,861 and \$66,229 and expended \$61,917 and \$56,444, respectively in federal awards during fiscal year 2015 that are not included in the District's Schedule of Federal Awards Receipts and Expenditures for the year ended June 30, 2015. Pleasant Community Academy and the Pleasant Education Academy expended less than \$500,000 for the fiscal year ended June 30, 2015 and thus were not required to have audits of their federal award programs in accordance with OMB Circular A-133.

Opinion on the Major Federal Program

In our opinion, the Pleasant 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 over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 21, 2015

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY
June 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Twenty-First Century Community Learning Center CFDA # 84.287
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None

PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY
For the year ended June 30, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, as of June 30, 2014, reported no material citations or recommendations.



Dave Yost • Auditor of State

PLEASANT LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2016**