

428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

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



Certified Public Accountants, A.C.

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
Single Audit  
For the Year Ended June 30, 2015**

[www.perrycpas.com](http://www.perrycpas.com)

*...“bringing more to the table”*

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

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Board of Education  
Three Rivers Local School District  
401 N. Miami Avenue  
Cleves, Ohio 45002

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Three Rivers 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 17, 2016

**This page intentionally left blank.**

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report.....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	17
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	20
Statement of Fiduciary Net Position – Fiduciary Funds .....	21
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	22
Notes to the Basic Financial Statements.....	23
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	52
Schedule of the District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio .....	53
Schedule of the District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio .....	54
Schedule of the District Contributions State Teachers Retirement System of Ohio .....	55
Schedule of the District Contributions School Employees Retirement System of Ohio .....	57
Notes to Required Supplementary Information.....	59
Schedule of Federal Awards Receipts and Expenditures .....	61

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**TABLE OF CONTENTS (Continued)**

<b>TITLE</b>	<b>PAGE</b>
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	62
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	63
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	65
Schedule of Audit Findings – OMB Circular A -133 § .505 .....	67



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

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

## INDEPENDENT AUDITOR'S REPORT

December 31, 2015

Three Rivers Local School District  
Hamilton County  
401 N. Miami Avenue  
Cleves, Ohio 45002

To the Board of Education:

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

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

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

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

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

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

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

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



***...“bringing more to the table”***

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

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Three Rivers Local School District, Hamilton County, Ohio, as of June 30, 2015, and the respective changes in financial position 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 19 to the financial statements, during the year ended June 30, 2015, the District adopted *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

---

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

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$203,204 which represents a 1% increase from 2014.
- General revenues accounted for \$23,386,916 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,687,401 or 14% of total revenues \$27,074,317.
- The District had \$26,871,113 in expenses related to governmental activities; \$3,687,401 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,386,916 were also used to provide for these programs.

**Overview of the Financial Statements**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide a more detailed look at financial activities.

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

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Government-wide Financial Statements answers this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

---

These two statements report the District's *net position* and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District consists of one activity:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

The District has two kinds of funds:

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 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.

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

***This Space Intentionally Left Blank***

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

---

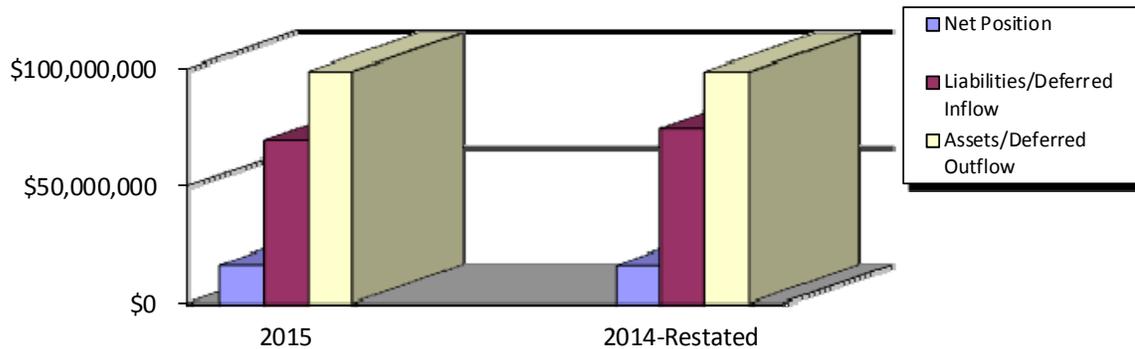
**The District as a Whole**

As stated previously, the Statement of Net position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

**Table 1  
Net position**

	Governmental Activities	
	2015	2014-Restated
Assets:		
Current and Other Assets	\$33,838,092	\$33,424,197
Capital Assets	64,963,557	65,223,150
Total Assets	98,801,649	98,647,347
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	101,009	0
	2,034,794	1,642,034
Total Deferred Outflows of Resources	2,135,803	1,642,034
Liabilities:		
Other Liabilities	3,233,110	3,529,300
Long-Term Liabilities	66,103,967	71,135,532
Total Liabilities	69,337,077	74,664,832
Deferred Inflows of Resources:		
Property Taxes	7,952,935	6,952,708
Grants and Other Taxes	2,587,412	2,470,896
Pension	4,655,879	0
Total Deferred Inflows of Resources	15,196,226	9,423,604
Net Position:		
Net Investment in Capital Assets	27,417,082	27,302,033
Restricted	5,721,711	5,768,915
Unrestricted	(16,734,644)	(16,870,003)
Total Net Position	\$16,404,149	\$16,200,945

**Three Rivers Local School District, Ohio  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**



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

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

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

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

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

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

---

State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$46,116,415 to \$16,200,945.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets exceeded liabilities and deferred inflows of resources by \$16,404,149.

At year-end, capital assets represented 66% of total assets. Capital assets include land, construction in progress, buildings and improvements, transportation and equipment and fixtures. Capital assets, net of related debt to acquire the assets at June 30, 2015, were \$27,417,082. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$5,721,711 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased due to the depreciation exceeding additions in 2015. Long-Term Liabilities decreased due to the decrease in Net Pension Liability.

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

***This Space Intentionally Left Blank***

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

**Table 2  
Changes in Net position**

	Governmental Activities	
	2015	2014-Restated
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,309,375	\$1,559,513
Operating Grants and Contributions	2,378,026	1,943,772
Capital Grants and Contributions	0	176,180
General Revenues:		
Property Taxes	13,205,580	13,455,705
Grants and Entitlements	7,361,164	6,978,936
Other	2,820,172	3,088,387
Total Revenues	<u>27,074,317</u>	<u>27,202,493</u>
Program Expenses:		
Instruction	13,802,933	14,499,967
Support Services:		
Pupil and Instructional Staff	2,078,071	2,275,024
School Administrative, General Administration and Fiscal	2,182,665	2,602,030
Operations and Maintenance	1,742,848	1,853,940
Pupil Transportation	1,931,873	1,511,169
Central	185,125	170,022
Operation of Non-Instructional Services	938,995	882,098
Extracurricular Activities	721,283	614,358
Payment to Ohio Facilities Commission	921,148	0
Interest and Fiscal Charges	2,066,058	2,130,734
Bond Issuance Cost	300,114	0
Total Program Expenses	<u>26,871,113</u>	<u>26,539,342</u>
Change in Net Position	203,204	663,151
Net Position Beginning of Year, Restated	<u>16,200,945</u>	<u>N/A</u>
Net Position End of Year	<u>\$16,404,149</u>	<u>\$16,200,945</u>

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$1,642,034 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 expenses of \$1,265,541. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

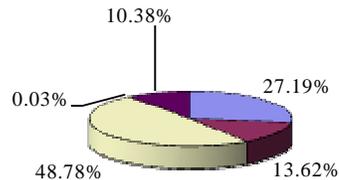
Total 2015 program expenses under GASB 68	\$26,871,113
Pension expenses under GASB 68	(1,265,541)
2015 contractually required contributions	<u>1,792,146</u>
Adjusted 2015 program expenses	27,397,718
Total 2014 program expenses under GASB 27	<u>26,539,342</u>
Increase in program expenses not related to pension	<u><u>\$858,376</u></u>

The District revenues are mainly from two sources. Property taxes levied for general, special revenue and debt service purposes and grants and entitlements comprised 76% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 49% of revenue for governmental activities for the District in fiscal year 2015.

<u>Revenue Sources</u>	<u>2015</u>	<u>Percent of Total</u>
General Grants	\$7,361,164	27.19%
Program Revenues	3,687,401	13.62%
General Tax Revenues	13,205,580	48.78%
Investment Earnings	8,822	0.03%
Other Revenues	<u>2,811,350</u>	<u>10.38%</u>
	<u><u>\$27,074,317</u></u>	<u><u>100.00%</u></u>



Instruction comprises 51.37% of governmental program expenses. Support services expenses were 30.22% of governmental program expenses. All other expenses were 18.41%.

Overall revenues decreased mainly due to the District receiving less tax monies in fiscal year 2015 when compared to fiscal year 2014. Total expenditures increased mainly due to increases in personnel costs and general inflationary factors.

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

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$13,802,933	\$14,499,967	(\$11,280,757)	(\$12,064,637)
Support Services:				
Pupil and Instructional Staff	2,078,071	2,275,024	(1,997,512)	(2,243,467)
School Administrative, General				
Administration and Fiscal	2,182,665	2,602,030	(2,177,952)	(2,554,477)
Operations and Maintenance	1,742,848	1,853,940	(1,725,328)	(1,844,927)
Pupil Transportation	1,931,873	1,511,169	(1,842,994)	(1,471,198)
Central	185,125	170,022	(181,525)	(166,422)
Operation of Non-Instructional Services	938,995	882,098	(147,283)	(143,755)
Extracurricular Activities	721,283	614,358	(543,041)	(240,260)
Payment to Ohio School Facilities Commission	921,148	0	(921,148)	0
Interest and Fiscal Charges	2,066,058	2,130,734	(2,066,058)	(2,130,734)
Bond Issuance Cost	300,114	0	(300,114)	0
Total Expenses	<u>\$26,871,113</u>	<u>\$26,539,342</u>	<u>(\$23,183,712)</u>	<u>(\$22,859,877)</u>

**The District's Funds**

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprise \$28,762,601 (83%) of the total \$34,536,006 governmental funds' assets.

**General Fund:** Fund balance at June 30, 2015 was \$13,106,485, an increase of \$461,236 from 2014. The primary reason for the increase in fund balance was due to an increase in intergovernmental revenue.

**Debt Service Fund:** Fund balance at June 30, 2015 was \$2,335,390, an increase of \$325,961 from 2014. The primary reason for the increase in fund balance was due to a decrease in fiscal expenditures.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2015, the District amended its general fund budget when needed. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, the final budgeted revenue was \$21,117,932 and the original budgeted revenue was \$20,379,804. The difference was \$738,128, mainly due to underestimates in the original budgets, taxes, and intergovernmental revenue.

The District's ending unobligated actual fund balance for the General fund was \$9,352,140.

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

---

**Capital Assets and Debt Administration**

***Capital Assets***

At fiscal year end, the District had \$64,963,557 invested in land, construction in progress, buildings and improvements, transportation, and equipment and fixtures. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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

---

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$4,084,391	\$4,084,391
Construction in Progress	647,881	59,098,182
Buildings and Improvements	59,169,007	1,077,196
Transportation	688,506	633,450
Equipment and Fixtures	<u>373,772</u>	<u>329,931</u>
Total Net Capital Assets	<u>\$64,963,557</u>	<u>\$65,223,150</u>

The decrease in capital assets is due to the depreciation exceeding the additions in 2015.

See Note 7 to the basic financial statements for further details on the District's capital assets.

***Debt***

At June 30, 2015, the District had \$38,168,169 in bonds outstanding, \$1,060,000 due within one year. Table 5 summarizes debt outstanding.

***This Space Intentionally Left Blank***

**Three Rivers Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
(Unaudited)

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

	Governmental Activities	
	2015	2014
Bonds:		
2010 School Improvement Build America Bonds	\$0	\$21,890,000
Discount on Build America Bonds	0	(157,371)
2010 School Improvement Qualified School Construction Bonds	10,540,000	11,260,000
Discount on Qualified School Construction Bonds	(64,910)	(70,209)
2010 School Improvement Tax Exempt Bonds		
Current Interest	770,000	840,000
Capital Appreciation	1,110,000	1,110,000
Accretion of Interest	477,324	360,214
Premium on Bonds	672,780	711,782
2011 Certification of Participation Bonds		
Current Interest	2,075,000	2,195,000
Capital Appreciation	90,000	90,000
Accretion of Interest	43,361	29,893
Premium on Bonds	48,511	51,915
2015 Refunding Bonds	21,600,000	0
2015 Refunding Bonds Premium	806,103	0
Total Bonds	<u>\$38,168,169</u>	<u>\$38,311,224</u>

See Note 11 to the basic financial statements for further details on the District's long-term obligations.

**For the Future**

The major challenges of the Three Rivers Local School District are legislative changes made to its tax base and declining state support.

The phase-out of Tangible Personal Property Tax (TPPT) as legislated in House Bill 66 has reduced the District's revenue by \$3.0M dollars annually between 2007 and 2017. When passed, House Bill 66 provided reimbursement payments to District's to phase-in the loss of revenue. House Bill 153 accelerated the phase out of the TPPT reimbursement scheduled through 2017.

The losses in TPPT reimbursement along with federal stabilization dollars total over \$3.2M for the next two fiscal years. The District has made a number of financial reductions, as well as, successfully negotiated concessions from its bargaining unit for fiscal years 2012 through 2014. Beyond fiscal year 2013 the loss of TPPT reimbursement payments will be equivalent to nearly 5 mills of property tax annually. The District is currently planning to address this issue through expenditure reductions or an additional tax levy.

The District passed a 4.95 mill operating levy renewal in November 2013. The levy generated approximately \$1.7M dollars annually.

**Three Rivers Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

---

The District completed the construction of a new PK-12 school facility with the assistance of the Ohio School Facilities Commission (OSFC). The new facility replaces four school facilities. Three of the school facilities were sold or razed and the fourth was converted into a central office facility, which houses the Head Start class and one high school classroom.

The District does well academically. In the past the District has been rated "Excellent with Distinction". Currently the State provides no overall rating and the components that were included for the 2014 report card were graded A through F. The District received a B on indicators meeting (21 out of 24) and a B on performance index (105 out of 120). Test scores and rankings were not available for 2015.

In conclusion, the District has continued to perform its mission at a high level despite numerous changes in school funding over the last 5 years that has compromised its ability to sustain itself financially.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Three Rivers Local School District, 401 N. Miami Ave., Cleves, Ohio 45002.

***This Space Intentionally Left Blank***

Three Rivers Local School District, Ohio  
Statement of Net Position  
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,037,214
Restricted Cash and Investments	3,294
Receivables (Net):	
Taxes	13,945,161
Accounts	822
Interest	7,131
Intergovernmental	3,477,745
Land Held for Resale	366,725
Nondepreciable Capital Assets	4,732,272
Depreciable Capital Assets, Net	<u>60,231,285</u>
 Total Assets	 <u>98,801,649</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	101,009
	<u>2,034,794</u>
 Total Deferred Outflows of Resources	 <u>2,135,803</u>
Liabilities:	
Accounts Payable	157,660
Accrued Wages and Benefits	1,963,023
Contracts Payable	60,525
Retainage Payable	3,294
Accrued Interest Payable	127,460
Intergovernmental Payable	921,148
Long-Term Liabilities:	
Due Within One Year	1,561,384
Due In More Than One Year	
Net Pension Liability	25,857,038
Other Amounts	<u>38,685,545</u>
 Total Liabilities	 <u>69,337,077</u>
Deferred Inflows of Resources:	
Property Taxes	7,952,935
Grants and Other Taxes	2,587,412
Pension	<u>4,655,879</u>
 Total Deferred Inflows of Resources	 <u>15,196,226</u>
Net Position:	
Net Investment in Capital Assets	27,417,082
Restricted for:	
Debt Service	2,286,341
Capital Projects	1,508,459
Classroom Maintenance	907,336
Extracurricular Activities	110,372
Spring Recognition	36,424
Title VI-B	197,880
Title I	447,286
Federal Grants	436
Food Service	227,177
Unrestricted	<u>(16,734,644)</u>
 Total Net Position	 <u><u>\$16,404,149</u></u>

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$9,440,461	\$795,791	\$273,242	(\$8,371,428)
Special	3,234,265	0	1,062,834	(2,171,431)
Vocational	33,821	0	3,115	(30,706)
Other	1,094,386	0	387,194	(707,192)
<b>Support Services:</b>				
Pupil	1,299,514	0	29,787	(1,269,727)
Instructional Staff	778,557	0	50,772	(727,785)
General Administration	72,620	0	0	(72,620)
School Administration	1,484,924	0	5	(1,484,919)
Fiscal	625,121	0	4,708	(620,413)
Operations and Maintenance	1,742,848	1,465	16,055	(1,725,328)
Pupil Transportation	1,931,873	24,860	64,019	(1,842,994)
Central	185,125	0	3,600	(181,525)
Operation of Non-Instructional Services	938,995	309,017	482,695	(147,283)
Extracurricular Activities	721,283	178,242	0	(543,041)
Payment to Ohio School Facilities Commissi	921,148	0	0	(921,148)
Interest and Fiscal Charges	2,066,058	0	0	(2,066,058)
Bond Issuance Cost	300,114	0	0	(300,114)
<b>Total Governmental Activities</b>	<b>\$26,871,113</b>	<b>\$1,309,375</b>	<b>\$2,378,026</b>	<b>(23,183,712)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	11,503,108
Special Revenue Purposes	184,064
Debt Service Purposes	1,518,408
Grants and Entitlements, Not Restricted	7,361,164
Revenue in Lieu of Taxes	2,587,412
Unrestricted Contributions	103,279
Investment Earnings	8,822
Other Revenues	120,659

**Total General Revenues** 23,386,916

Change in Net Position 203,204

Net Position - Beginning of Year, Restated 16,200,945

Net Position - End of Year \$16,404,149

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$9,965,201	\$1,720,390	\$4,351,623	\$16,037,214
Restricted Cash and Investments	0	0	3,294	3,294
<b>Receivables (Net):</b>				
Taxes	12,120,864	1,648,441	175,856	13,945,161
Accounts	0	0	822	822
Interest	7,131	0	0	7,131
Intergovernmental	2,246,668	355,992	875,085	3,477,745
Interfund	697,914	0	0	697,914
Land Held for Resale	0	0	366,725	366,725
<b>Total Assets</b>	<b>25,037,778</b>	<b>3,724,823</b>	<b>5,773,405</b>	<b>34,536,006</b>
<b>Liabilities:</b>				
Accounts Payable	150,029	0	7,631	157,660
Accrued Wages and Benefits	1,802,176	0	160,847	1,963,023
Compensated Absences	288,928	0	0	288,928
Contracts Payable	0	0	60,525	60,525
Retainage Payable	0	0	3,294	3,294
Interfund Payable	0	0	697,914	697,914
Intergovernmental Payable	0	0	921,148	921,148
<b>Total Liabilities</b>	<b>2,241,133</b>	<b>0</b>	<b>1,851,359</b>	<b>4,092,492</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	7,455,864	1,033,441	105,856	8,595,161
Grants and Other Taxes	2,231,420	355,992	675,147	3,262,559
Investment Earnings	2,876	0	0	2,876
<b>Total Deferred Inflows of Resources</b>	<b>9,690,160</b>	<b>1,389,433</b>	<b>781,003</b>	<b>11,860,596</b>
<b>Fund Balances:</b>				
Nonspendable	0	0	366,725	366,725
Restricted	0	2,335,390	2,471,696	4,807,086
Committed	0	0	308,413	308,413
Assigned	215,771	0	0	215,771
Unassigned	12,890,714	0	(5,791)	12,884,923
<b>Total Fund Balances</b>	<b>13,106,485</b>	<b>2,335,390</b>	<b>3,141,043</b>	<b>18,582,918</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$25,037,778</b>	<b>\$3,724,823</b>	<b>\$5,773,405</b>	<b>\$34,536,006</b>

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2015

---

Total Governmental Fund Balance		\$18,582,918
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.		
Capital assets used in the operation of Governmental Funds		64,963,557
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Intergovernmental	\$642,226	
Interest	2,876	
Special Assessments	<u>675,147</u>	
		1,320,249
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(127,460)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(1,789,832)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		101,009
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$2,034,794	
Deferred inflows of resources related to pensions	<u>(4,655,879)</u>	
		(2,621,085)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$25,857,038)	
Other Amounts	<u>(38,168,169)</u>	
		<u>(64,025,207)</u>
Net Position of Governmental Activities		<u><u>\$16,404,149</u></u>

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$11,410,032	\$1,515,024	\$175,488	\$13,100,544
Tuition and Fees	794,851	0	940	795,791
Investment Earnings	8,093	403	1,800	10,296
Intergovernmental	6,954,430	926,257	2,156,722	10,037,409
Extracurricular Activities	0	0	203,102	203,102
Charges for Services	0	0	309,017	309,017
Revenue in Lieu of Taxes	2,231,420	355,992	0	2,587,412
Other Revenues	173,582	0	51,823	225,405
<b>Total Revenues</b>	<b>21,572,408</b>	<b>2,797,676</b>	<b>2,898,892</b>	<b>27,268,976</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,928,796	0	186,097	9,114,893
Special	2,772,450	0	484,236	3,256,686
Vocational	30,813	0	3,283	34,096
Other	889,147	0	202,269	1,091,416
<b>Support Services:</b>				
Pupil	1,293,103	0	16,705	1,309,808
Instructional Staff	754,583	0	28,512	783,095
General Administration	73,529	0	0	73,529
School Administration	1,492,866	31	3	1,492,900
Fiscal	597,468	26,041	2,910	626,419
Operations and Maintenance	1,708,272	0	9,924	1,718,196
Pupil Transportation	1,670,499	0	34,545	1,705,044
Central	153,683	0	3,600	157,283
Operation of Non-Instructional Services	121,806	0	732,207	854,013
Extracurricular Activities	375,678	0	227,068	602,746
Payment to Ohio School Facilities Commission	0	0	921,148	921,148
Capital Outlay	38,471	0	967,169	1,005,640
<b>Debt Service:</b>				
Principal Retirement	120,000	22,680,000	0	22,800,000
Interest and Fiscal Charges	80,883	1,884,034	0	1,964,917
Bond Issuance Cost	0	300,114	0	300,114
<b>Total Expenditures</b>	<b>21,102,047</b>	<b>24,890,220</b>	<b>3,819,676</b>	<b>49,811,943</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>470,361</b>	<b>(22,092,544)</b>	<b>(920,784)</b>	<b>(22,542,967)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	875	0	0	875
Issuance of Refunded Bonds	0	21,600,000	0	21,600,000
Premium on Bonds Sold	0	818,505	0	818,505
Transfers In	0	0	10,000	10,000
Transfers (Out)	(10,000)	0	0	(10,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(9,125)</b>	<b>22,418,505</b>	<b>10,000</b>	<b>22,419,380</b>
<b>Net Change in Fund Balance</b>	<b>461,236</b>	<b>325,961</b>	<b>(910,784)</b>	<b>(123,587)</b>
<b>Fund Balance - Beginning of Year</b>	<b>12,645,249</b>	<b>2,009,429</b>	<b>4,051,827</b>	<b>18,706,505</b>
<b>Fund Balance - End of Year</b>	<b>\$13,106,485</b>	<b>\$2,335,390</b>	<b>\$3,141,043</b>	<b>\$18,582,918</b>

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds (\$123,587)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$1,023,280	
Depreciation Expense	<u>(1,252,430)</u>	(229,150)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (30,443)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	\$1,792,146	
Cost of benefits earned net of employee contributions	<u>(1,265,541)</u>	526,605

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	\$105,036	
Interest	(1,474)	
Intergovernmental	<u>(298,221)</u>	(194,659)

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Premium on Bonds Issued	(\$818,505)	
Deferred Amount on Refunding	102,563	
Refunding Bonds	<u>(21,600,000)</u>	(22,315,942)

Repayment of bond principal and current bonds refunded are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 22,642,629

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 36,290

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(\$25,916)	
Amortization of Bond Premium	54,808	
Amortization of Bond Discount	(5,299)	
Amortization of Deferred Charge on Refunding	(1,554)	
Bond Accretion	<u>(130,578)</u>	(108,539)

Change in Net Position of Governmental Activities \$203,204

See accompanying notes to the basic financial statements.

Three Rivers Local School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

---

	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$78,875	\$68,586
Total Assets	<u>78,875</u>	<u>68,586</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>68,586</u>
Total Liabilities	<u>0</u>	<u>\$68,586</u>
Net Position:		
Held in Trust	<u>78,875</u>	
Total Net Position	<u>\$78,875</u>	

See accompanying notes to the basic financial statements.

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

---

	Private Purpose Trust
Additions:	
Donations	\$5,229
Investment Earnings	17
Total Additions	<u>5,246</u>
Deductions:	
Scholarships	<u>10,813</u>
Total Deductions	<u>10,813</u>
Change in Net Position	(5,567)
Net Position - Beginning of Year	<u>84,442</u>
Net Position - End of Year	<u><u>\$78,875</u></u>

See accompanying notes to the basic financial statements.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

**Note 1 – Description of the District**

---

The Three Rivers Local School District, Ohio (the "District") was originally chartered by the Ohio State Legislature. In 1853, state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The District operates under a locally elected five-member Board of Education (the Board) and is responsible for the education of the residents of the District. This Board controls the District's instructional and support facilities staffed by 135 non-certificated personnel and 135 certified teaching and administrative personnel to provide services to students and other community members.

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

---

The financial statements of the 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. The more significant of the District's accounting policies are described below.

**Reporting Entity**

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District participates in two Jointly Governed Organizations that are further described in the notes to the financial statements.

**Measurement Focus**

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions 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 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 District.

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

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

**Fund Accounting**

The 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 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 District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus 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, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has three agency funds. The Student Managed Activity Agency Fund is used to account for assets and liabilities generated by student managed activities. The Section 125 Agency Fund is used to account for funds that belong to others as a result of outstanding checks over one year old. The OSHAA fund is used as a clearing account to distribute tournament monies to other funds of the school district and to the Ohio High School Athletic Association (OHSAA). The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'), and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Expenses/Expenditures

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

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

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2015 credited to the General Fund amounted to \$8,093, \$403 in the Debt Service Fund and \$1,800 in Other Governmental Funds.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Improvements	20-80 years
Transportation	10 years
Equipment and Fixtures	5-20 years

**Interfund Activity**

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net position.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

**Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded for the compensated absences only if they have matured, for example, as a result of employee resignations and retirements.

**Pensions**

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.

**Fund Balance**

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

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that can be used only for the specific purposes imposed by a formal action (board resolution) of the District's Board of Education. The Board of Education is the highest level of decision making authority for the District. Those committed resources cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action (board resolution) it employed to previously commit those resources.

Assigned – resources intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts are intended to be used for specific purposes as approved through the District's formal purchase

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

order procedure by the Superintendent and the Treasurer. The adoption of the board appropriation resolution is the established policy, which gives the authorization to assign resources for a specific purpose.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit cash balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**Restricted Assets**

Restricted assets in the classroom facility construction, building and permanent improvement funds represent equity in pooled cash and investments set aside for retainage payable.

**Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$5,721,711 in restricted net position, none were restricted by enabling legislation.

**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.

***This Space Intentionally Left Blank***

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

---

**Note 3 – Accountability**

---

The following funds had a deficit in fund balance:

<u>Other Governmental Funds:</u>	<u>Amounts</u>
Classroom Size Reduction	\$5,791

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**Note 4 – Equity in Pooled Cash and Investments**

---

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (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.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the 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 moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2015, \$8,237,139 of the District's bank balance of \$10,498,794 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

**Investments**

As of June 30, 2015, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Farm Credit Bank	\$500,025	1.28
Federal National Mortgage Association	1,253,014	1.16
Negotiable CD's	\$1,749,778	0.88
Money Market Funds	<u>2,338,299</u>	0.00
Total Fair Value	<u>\$5,841,116</u>	
Portfolio Weighted Average Maturity		0.62

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in Federal National Mortgage Association and Federal Farm Credit Bank were rated AA+ by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Money Market Funds and Negotiable CD’s were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has 9% invested in Federal Farm Credit Bank, 40% invested in Money Market Funds, 21% in Federal National Mortgage Association and 30% in Negotiable CD’s.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 5 - Property Taxes**

---

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2016 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The amount available for advance was \$4,665,000 in the General Fund, \$615,000 in the Debt Service Fund and \$70,000 in Other Governmental Funds.

The assessed value, by property classification, upon which taxes collected in 2015 were based as follows:

	<u>Amount</u>
Public Utility Personal	\$71,120,110
Real Estate	<u>311,707,730</u>
Total	<u><u>\$382,827,840</u></u>

**Note 6 – Receivables**

---

Receivables at June 30, 2015, consisted of property taxes, accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes and the grant from the Ohio School Facilities Commission. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

*This Space Intentionally Left Blank*

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

**Note 7 – Capital Assets**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$4,084,391	\$0	\$0	\$4,084,391
Construction in Progress	59,098,182	695,158	59,145,459	647,881
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	1,498,067	59,150,089	0	60,648,156
Transportation	2,334,726	168,932	4,800	2,498,858
Equipment and Fixtures	1,808,459	154,560	532,260	1,430,759
Totals at Historical Cost	<u>68,823,825</u>	<u>60,168,739</u>	<u>59,682,519</u>	<u>69,310,045</u>
Less Accumulated Depreciation:				
Buildings and Improvements	420,871	1,058,278	0	1,479,149
Transportation	1,701,276	113,876	4,800	1,810,352
Equipment and Fixtures	1,478,528	80,276	501,817	1,056,987
Total Accumulated Depreciation	<u>3,600,675</u>	<u>1,252,430</u>	<u>506,617</u>	<u>4,346,488</u>
Governmental Activities Capital Assets, Net	<u>\$65,223,150</u>	<u>\$58,916,309</u>	<u>\$59,175,902</u>	<u>\$64,963,557</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$575,886
Special	42,323
Other Instruction	4,858
Support Services:	
Pupil	7,373
Instructional Staff	6,851
School Administration	538
Fiscal	4,055
Operations and Maintenance	67,594
Pupil Transportation	283,666
Central	30,526
Operation of Non-Instructional Services	98,730
Extracurricular Activities	130,030
Total Depreciation Expense	<u>\$1,252,430</u>

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

**Note 8 – Risk Management**

---

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, commercial insurance carriers provided insurance coverage for property, liability, and vehicles. There has been no significant reduction in the coverage in the current fiscal year and settlements have not exceeded insurance coverage in any of the past three fiscal years.

The District also provides life insurance and accidental death and dismemberment coverage to all employees. The amount of coverage per employee varies by bargaining unit. Commercial Life also provides the life insurance coverage for the District. The District pays the State Workers' Compensation System a premium based on a rate per \$1,000 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 9 - 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 District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$582,551 for fiscal year 2015. Of this amount \$128,963 is reported as accrued wages and benefits.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

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 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 District's contractually required contribution to STRS was \$1,209,595 for fiscal year 2015. Of this amount \$0 is reported as accrued wages and benefits.

**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 District's proportion of the net pension liability was based on the 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	\$5,628,427	\$20,228,611	\$25,857,038
Proportion of the Net Pension Liability	0.11121300%	0.08316502%	
Pension Expense	330,998	934,543	1,265,541

At June 30, 2015, the 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$47,904	\$194,744	\$242,648
District contributions subsequent to the measurement date	<u>582,551</u>	<u>1,209,595</u>	<u>1,792,146</u>
Total Deferred Outflows of Resources	<u>\$630,455</u>	<u>\$1,404,339</u>	<u>\$2,034,794</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$913,509</u>	<u>\$3,742,370</u>	<u>\$4,655,879</u>

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

\$1,792,146 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$216,401)	(\$886,906)	(\$1,103,307)
2017	(216,401)	(886,906)	(1,103,307)
2018	(216,401)	(886,907)	(1,103,308)
2019	<u>(216,402)</u>	<u>(886,907)</u>	<u>(1,103,309)</u>
Total	<u>(\$865,605)</u>	<u>(\$3,547,626)</u>	<u>(\$4,413,231)</u>

**Actuarial Assumptions - SERS**

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

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

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

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

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

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

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$8,030,092	\$5,628,427	\$3,608,418

**Actuarial Assumptions - STRS**

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

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

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

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

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$28,959,462	\$20,228,611	\$12,845,249

**Note 10 - Post Employment Benefits**

---

***School Employees Retirement System***

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

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

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

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 District's surcharge obligation was \$61,826.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$95,947, \$57,495, and \$64,370, respectively. For fiscal year 2015, 78 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

***State Teachers Retirement System***

Plan Description – The 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](http://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 District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$90,046, and \$92,497 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

***This Space Intentionally Left Blank***

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

**Note 11 - Long-Term Liabilities**

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

	Rate	Maturity Dates	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>							
2010 School Improvement Build America Bonds	5.11-6.37%	12/01/47	\$21,890,000	\$0	(\$21,890,000)	\$0	\$0
Discount on Build America Bonds			(157,371)	0	157,371	0	0
2010 School Improvement Qualified School Construction Bonds	5.21%	09/15/27	11,260,000	0	(720,000)	10,540,000	750,000
Discount on Qualified School Construction Bonds			(70,209)	0	5,299	(64,910)	0
2010 School Improvement Tax Exempt Current Interest Bonds	2.00-2.75%	12/01/32	840,000	0	(70,000)	770,000	110,000
2010 School Improvement Tax Exempt Capital Appreciation			1,110,000	0	0	1,110,000	0
2010 School Improvement Tax Exempt Accretion of Interest			360,214	117,110	0	477,324	0
Premium on Tax Exempt Current Interest Bonds			711,782	0	(39,002)	672,780	0
2011 Certificate of Participation Current Interest Bonds	2.00-3.25%	12/01/30	2,195,000	0	(120,000)	2,075,000	120,000
2011 Certificate of Participation Capital Appreciation Bonds			90,000	0	0	90,000	0
2011 Certificate of Participation Accretion of Interest			29,893	13,468	0	43,361	0
Premium on Certificate of Participation Current Interest Bonds			51,915	0	(3,404)	48,511	0
2015 Refunding Bonds			0	21,600,000	0	21,600,000	80,000
2015 Refunding Bonds Premium			0	818,505	(12,402)	806,103	0
<b>Total Bonds</b>			<b>38,311,224</b>	<b>22,549,083</b>	<b>(22,692,138)</b>	<b>38,168,169</b>	<b>1,060,000</b>
<b>Net Pension Liability:</b>							
STRS			24,031,298	0	(3,802,687)	20,228,611	0
SERS			6,615,464	0	(987,037)	5,628,427	0
<b>Total Net Pension Liability</b>			<b>30,646,762</b>	<b>0</b>	<b>(4,789,724)</b>	<b>25,857,038</b>	<b>0</b>
Compensated Absences			2,177,546	511,404	(610,190)	2,078,760	501,384
<b>Total Governmental Activities</b>			<b>\$71,135,532</b>	<b>\$23,060,487</b>	<b>(\$28,092,052)</b>	<b>\$66,103,967</b>	<b>\$1,561,384</b>

On September 30, 2010, the District issued \$21,890,000 in School Improvement Build America Bonds for a discount of \$175,120 at an interest rate between 5.11% and 6.37% throughout the life of the bonds. The bonds will mature on 12/1/2047.

On September 30, 2010, the District issued \$11,260,000 in School Improvement Qualified School Construction Bonds for a discount of \$90,020 at an interest rate of 5.21% throughout the life of the bonds. The bonds will mature on 9/15/2027.

On September 30, 2010, the District issued \$2,885,000 in Tax Exempt Current Interest Bonds and \$1,110,000 in Tax Exempt Capital Appreciation Bonds for a net premium of \$858,039 at an interest rate between 2.00% and 2.75% throughout the life of the bonds. The bonds will mature on 12/1/32.

On September 28, 2011, the District issued \$2,310,000 in Certificate of Participation Current Interest Bonds and \$90,000 in Certificate of Participation Capital Appreciation Bonds for a net premium of

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

\$61,276 at an interest rate between 2.00% and 3.25% throughout the life of bonds. The bonds will mature on 12/1/30.

As a result of participating in these programs, the District will receive interest rebates resulting in a significantly lower coupon rate.

All long term debt payments will be made out of the Debt Service Fund except the 2011 Certificate of Participation Bonds which is paid out of the General Fund. Compensated Absences will be paid out of the General Fund.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$1,060,000	\$1,579,165	\$2,639,165	\$0	\$0	\$0
2017	1,000,000	1,573,459	2,573,459	0	0	0
2018	1,015,000	1,567,559	2,582,559	0	0	0
2019	1,095,000	1,559,978	2,654,978	0	0	0
2020	1,100,000	1,550,991	2,650,991	0	0	0
2021-2025	5,325,000	7,654,350	12,979,350	90,000	190,000	280,000
2026-2030	3,780,000	5,844,962	9,624,962	495,000	1,575,000	2,070,000
2031-2035	2,200,000	4,284,806	6,484,806	615,000	2,490,000	3,105,000
2036-2040	5,885,000	3,269,125	9,154,125	0	0	0
2041-2045	7,365,000	1,791,500	9,156,500	0	0	0
2046-2048	5,160,000	315,200	5,475,200	0	0	0
	<u>\$34,985,000</u>	<u>\$30,991,095</u>	<u>\$65,976,095</u>	<u>\$1,200,000</u>	<u>\$4,255,000</u>	<u>\$5,455,000</u>

**Note 12 – Advance Refunding**

On December 16, 2014 the District issued \$21,600,000 in Current Interest Bonds with an interest rate between 2.00% and 5.00% all of which was used to current refund \$21,890,000 of the outstanding 2010 General Obligation Bonds with an interest rate between 5.11% and 6.37%. The net proceeds of \$22,418,505 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issue. As a result, \$21,890,000 of the 2010 General Obligation Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position. The amount in escrow was paid off at the end of fiscal year 2015.

The District current refunded 2010 General Obligation Bonds to reduce its total debt service payments by \$39,044 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$40,120.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

**Note 13 - Jointly Governed Organizations**

---

*Hamilton/Clermont Cooperative Association*

The Hamilton Clermont County Cooperative Association (HCCA) is a jointly governed organization consisting of thirty-two school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and institutional functions among districts. Each of the Districts supports HCCA and share in a percentage of equity based on the resources provided. HCCA is governed by the board of directors consisting of superintendents of the member school boards. The degree of control exercised by any participating district is limited to its representation on the board. The operating budget of HCCA is funded by state funds, contributions from each member district based upon a per pupil fee and fees charged for various services.

The individual HCCA members are not considered participants having an equity interest as defined by GASB Statement 14 since members have no right to any assets of HCCA. Separate financial statements for HCCA can be obtained from the HCCA administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

*Great Oaks Institute of Technology and Career Development*

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a Board consisting of one representative from each participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established under the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of member districts, which includes the students of the District. The District has no ongoing financial interest in or responsibility for Great Oaks. To obtain financial information, write to Great Oaks, 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Note 14 – Contingencies**

---

**Foundation Funding**

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

**Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

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 District at June 30, 2015, if applicable, cannot be determined at this time.

**Litigation**

The District is not party to any legal proceedings that would have a material effect, if any, on the financial condition of the District.

**Note 15 - Required Set-Asides**

---

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

For the fiscal year ended June 30, 2015, the District was not required to set aside funds in the budget reserve set-aside.

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set Aside Requirements	326,421
Qualified Disbursements	(223,971)
Current Year Offsets	<u>(102,450)</u>
Set Aside Reserve Balance as of June 30, 2015	<u><u>\$0</u></u>

The excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

**Note 16 - Interfund Transactions**

---

Interfund transactions at June 30, 2015, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$697,914	\$0	\$0	\$10,000
Other Governmental Funds	<u>0</u>	<u>697,914</u>	<u>10,000</u>	<u>0</u>
Total All Funds	<u><u>\$697,914</u></u>	<u><u>\$697,914</u></u>	<u><u>\$10,000</u></u>	<u><u>\$10,000</u></u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

**Note 17 – Construction and Commitments**

---

Listed below are the District’s contracts that had outstanding balances at year end:

The Zimmer Company	\$17,165
SFA Architects	74,187
Neyer Plumbing, Inc.	310,408
Tricon, Inc.	290,903
Turner Construction Company	79,819
Delta Electrical Contractors	120,388
Village of Cleves	20,635
Atkins & Stang	120,768
Triton Services	33,054
John P Tumlin & Sons	7,591
Total	<u>\$1,074,918</u>

**Note 18 – Fund Balances**

---

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

*This Space Intentionally Left Blank*

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Land Held for Resale	\$0	\$0	\$366,725	\$366,725
<b>Total Nonspendable</b>	<b>0</b>	<b>0</b>	<b>366,725</b>	<b>366,725</b>
<b>Restricted for:</b>				
Spring Recognition	0	0	36,424	36,424
Classroom Facilities Maintenance	0	0	898,580	898,580
Extracurricular Student Activities	0	0	110,372	110,372
Vocational Education	0	0	436	436
Title VI B Preschool	0	0	15,760	15,760
Title I	0	0	4,319	4,319
Food Service Operations	0	0	264,071	264,071
Debt Service Payments	0	2,335,390	0	2,335,390
Buildings	0	0	1,141,734	1,141,734
<b>Total Restricted</b>	<b>0</b>	<b>2,335,390</b>	<b>2,471,696</b>	<b>4,807,086</b>
<b>Committed to:</b>				
Permanent Improvements	0	0	308,413	308,413
<b>Total Committed</b>	<b>0</b>	<b>0</b>	<b>308,413</b>	<b>308,413</b>
<b>Assigned to:</b>				
Public School Support	61,785	0	0	61,785
Encumbrances	153,986	0	0	153,986
<b>Total Assigned</b>	<b>215,771</b>	<b>0</b>	<b>0</b>	<b>215,771</b>
<b>Unassigned (Deficit)</b>	<b>12,890,714</b>	<b>0</b>	<b>(5,791)</b>	<b>12,884,923</b>
<b>Total Fund Balance</b>	<b>\$13,106,485</b>	<b>2,335,390</b>	<b>\$3,141,043</b>	<b>\$18,582,918</b>

**Note 19 – Change in Accounting Principles**

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances

**Three Rivers Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

---

for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

**Note 20 – Change in Accounting Principle and Restatement of Net Position**

---

For fiscal year 2015, the 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 Ohio Schools Facilities Commission grants receivable amount had to be adjusted due to the District not drawing down all of the allotted grant monies that were available. The implementation of this pronouncement and the Ohio Schools Facilities Commission grants receivable had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$46,116,415
Adjustments:	
Net Pension Liability	(30,646,762)
Deferred Outflow - Payments Subsequent to Measurement Date	1,642,034
Restatement of Ohio School Facilities Commission Grants Receivable	<u>(910,742)</u>
Restated Net Position June 30, 2014	<u>\$16,200,945</u>

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

*This Space Intentionally Left Blank*

# **REQUIRED SUPPLEMENTARY INFORMATION**

---

**This page intentionally left blank.**

Three Rivers Local School District, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$11,073,284	\$11,474,342	\$11,985,032	\$510,690
Revenue in lieu of taxes	2,061,667	2,136,338	2,231,420	95,082
Tuition and Fees	603,400	625,255	653,083	27,828
Investment Earnings	5,833	6,044	6,313	269
Intergovernmental	6,541,007	6,777,913	7,079,578	301,665
Charges for Services	0	0	0	0
Other Revenues	94,613	98,040	102,403	4,363
<b>Total Revenues</b>	<b>20,379,804</b>	<b>21,117,932</b>	<b>22,057,829</b>	<b>939,897</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,679,230	8,710,091	8,792,383	(82,292)
Special	2,462,305	2,792,846	2,819,232	(26,386)
Vocational	27,776	31,504	31,802	(298)
Other	774,628	878,614	886,915	(8,301)
<b>Support Services:</b>				
Pupil	1,103,329	1,251,440	1,263,263	(11,823)
Instructional Staff	664,632	753,853	760,975	(7,122)
General Administration	64,220	72,841	73,529	(688)
School Administration	1,397,882	1,585,534	1,600,514	(14,980)
Fiscal	524,450	594,852	600,472	(5,620)
Operations and Maintenance	1,570,982	1,781,871	1,798,706	(16,835)
Pupil Transportation	1,457,219	1,652,836	1,668,452	(15,616)
Central	134,646	152,721	154,164	(1,443)
Operation of Non-Instructional Services	6,301	7,146	7,214	(68)
Extracurricular Activities	335,053	380,031	383,621	(3,590)
Capital Outlay	34,912	39,599	39,973	(374)
<b>Debt Service:</b>				
Principal Retirement	104,807	118,877	120,000	(1,123)
Interest and Fiscal Charges	70,643	80,126	80,883	(757)
<b>Total Expenditures</b>	<b>18,413,015</b>	<b>20,884,782</b>	<b>21,082,098</b>	<b>(197,316)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,966,789</b>	<b>233,150</b>	<b>975,731</b>	<b>742,581</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	808	838	875	37
Advances (Out)	(533,172)	(604,745)	(610,459)	(5,714)
Transfers In	396,018	410,361	428,625	18,264
Transfers (Out)	(313,876)	(356,010)	(359,374)	(3,364)
<b>Total Other Financing Sources (Uses)</b>	<b>(450,222)</b>	<b>(549,556)</b>	<b>(540,333)</b>	<b>9,223</b>
<b>Net Change in Fund Balance</b>	<b>1,516,567</b>	<b>(316,406)</b>	<b>435,398</b>	<b>751,804</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>8,916,742</b>	<b>8,916,742</b>	<b>8,916,742</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$10,433,309</b>	<b>\$8,600,336</b>	<b>\$9,352,140</b>	<b>\$751,804</b>

See accompanying notes to the required supplementary information.

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

	2014	2013
District's Proportion of the Net Pension Liability	0.08316502%	0.08316502%
District's Proportionate Share of the Net Pension Liability	\$20,228,611	\$24,031,298
District's Covered-Employee Payroll	\$9,150,800	\$9,961,215
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	241.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

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

	2014	2013
District's Proportion of the Net Pension Liability	0.111213%	0.111213%
District's Proportionate Share of the Net Pension Liability	\$5,628,427	\$6,615,464
District's Covered-Employee Payroll	\$3,264,285	\$4,090,751
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.42%	161.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Three Rivers Local School District, Ohio  
 Required Supplementary Information  
 Schedule of District Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution	\$1,209,595	\$1,189,604	\$1,294,958	\$1,276,804	\$1,383,007
Contributions in Relation to the Contractually Required Contribution	<u>(1,209,595)</u>	<u>(1,189,604)</u>	<u>(1,294,958)</u>	<u>(1,276,804)</u>	<u>(1,383,007)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$8,639,964	\$9,150,800	\$9,961,215	\$9,821,569	\$10,638,515
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%

2010	2009	2008	2007	2006
\$1,367,028	\$1,320,634	\$1,276,762	\$1,200,363	\$1,202,471
<u>(1,367,028)</u>	<u>(1,320,634)</u>	<u>(1,276,762)</u>	<u>(1,200,363)</u>	<u>(1,202,471)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,515,600	\$10,158,723	\$9,821,246	\$9,233,561	\$9,249,776
13.00%	13.00%	13.00%	13.00%	13.00%

Three Rivers Local School District, Ohio  
 Required Supplementary Information  
 Schedule of District Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution	\$582,552	\$452,430	\$566,160	\$494,880	\$522,504
Contributions in Relation to the Contractually Required Contribution	<u>(582,552)</u>	<u>(452,430)</u>	<u>(566,160)</u>	<u>(494,880)</u>	<u>(522,504)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$4,419,969	\$3,264,285	\$4,090,751	\$3,679,405	\$4,156,754
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%

2010	2009	2008	2007	2006
\$450,193	\$455,100	\$421,836	\$387,816	\$380,400
(450,193)	(455,100)	(421,836)	(387,816)	(380,400)
\$0	\$0	\$0	\$0	\$0
\$3,324,911	\$4,625,000	\$4,295,682	\$3,631,235	\$3,595,463
13.54%	9.84%	9.82%	10.68%	10.58%

**Three Rivers Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2015**

---

**Note 1 – Budgetary Process**

---

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2015.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) 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 as follows:

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. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

**Three Rivers Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2015**

---

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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	\$461,236
Revenue Accruals	485,820
Expenditure Accruals	297,494
Transfers (Out)	(349,374)
Advances In	428,625
Advances (Out)	(610,459)
Encumbrances	(281,942)
Funds Budgeted Elsewhere	<u>3,998</u>
Budget Basis	<u><u>\$435,398</u></u>

***This Space Intentionally Left Blank***

**This page intentionally left blank.**

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through The Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	N/A	10.553	\$ 84,000	\$ 84,000
National School Lunch Program	N/A	10.555	353,735	353,735
Cash Assistance			437,735	437,735
Non-Cash Assistance (Food Distribution)	N/A	10.555	48,302	48,302
Total Child Nutrition Cluster			<u>486,037</u>	<u>486,037</u>
<b>Total U.S. Department of Agriculture</b>			<u>486,037</u>	<u>486,037</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through The Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2015	84.010	352,028	436,378
Title I Grants to Local Educational Agencies	2014	84.010	69,611	49,221
Total Title I Grants to Local Educational Agencies			<u>421,639</u>	<u>485,599</u>
Special Education Grants to States	2015	84.027	323,207	312,339
Special Education Grants to States	2014	84.027	63,002	62,997
Special Education Preschool Grant	2015	84.173	13,277	13,277
Total Special Education Grants to States			<u>399,486</u>	<u>388,613</u>
<i>(Passed Through Great Oaks Institute of Technology and Career Development)</i>				
Career and Technical Education - Basic Grants to States	2015	84.048	4,400	3,901
Career and Technical Education - Basic Grants to States	2014	84.048	440	615
Career and Technical Education - Basic Grants to States	2013	84.048	-	629
Career and Technical Education - Basic Grants to States	2012	84.048	-	333
Total Career and Technical Education - Basic Grants to States			<u>4,840</u>	<u>5,478</u>
Title II-A Improving Teacher Quality State Grants	2015	84.367	76,655	80,299
Title II-A Improving Teacher Quality State Grants	2014	84.367	13,876	13,588
Total Title II-A Improving Teacher Quality State Grants			<u>90,531</u>	<u>93,887</u>
<b>Total – U.S. Department of Education</b>			<u>916,496</u>	<u>973,577</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,402,533</u>	<u>\$ 1,459,614</u>

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

**Note A – Significant Accounting Policies**

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

**Note B – Child Nutrition Cluster**

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

**Note C – Food Donation**

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



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

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

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

December 31, 2015

Three Rivers Local School District  
Hamilton County  
401 N. Miami Avenue  
Cleves, Ohio 45002

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Three Rivers Local School District**, Hamilton 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 31, 2015, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Report for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

***Internal Control Over Financial Reporting***

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

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

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



***...“bringing more to the table”***

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

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



***Compliance and Other Matters***

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

***Purpose of this Report***

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



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



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

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

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

December 31, 2015

Three Rivers Local School District  
Hamilton County  
401 N. Miami Avenue  
Cleves, Ohio 45002

To the Board of Education:

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***... "bringing more to the table"***

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

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



**Opinion on the Major Federal Program**

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

**Report on Internal Control Over Compliance**

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

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

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

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



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

**THREE RIVERS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster (IDEA): Special Education-Grants to States (IDEA, Part B) – CFDA #84.027 and Special Education-Preschool Grants (IDEA Preschool) – CFDA #84.173
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**THREE RIVERS LOCAL SCHOOL DISTRICT**

**HAMILTON 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 31, 2016**