



Dave Yost • Auditor of State



**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2016**

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**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Brookville Local School District  
Montgomery County  
75 June Place  
Brookville, Ohio 45309

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 Brookville Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2016, 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.

**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 Brookville Local School District, Montgomery County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, 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.



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

May 31, 2017

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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The discussion and analysis of Brookville Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the 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 2016 are as follows:

- Net position of governmental activities increased \$991,691 which represents a 214.87% increase from 2015.
- General revenues accounted for \$14,730,812 in revenue or 85.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,447,960 or 14.2% of total revenues of \$17,178,772.
- The District had \$16,187,081 in expenses related to governmental activities; \$2,447,960 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,730,812 were also used to provide for these programs.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. 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 an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General and Debt Service Funds 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 2016?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* 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.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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These two statements report the District's *net position* and changes in position. 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 presents:

- **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. 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.

**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** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

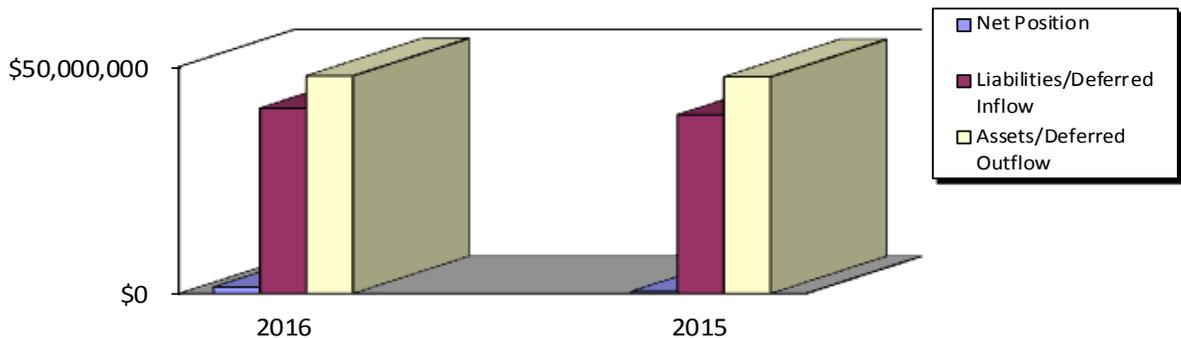
**The District as a Whole**

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 2016 compared to 2015:

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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

	Governmental Activities	
	2016	2015
<b>Assets:</b>		
Current and Other Assets	\$19,372,282	\$18,045,430
Capital Assets	28,629,801	29,739,668
<b>Total Assets</b>	<b>48,002,083</b>	<b>47,785,098</b>
<b>Deferred Outflows of Resources:</b>		
Deferred Charge on Refunding Pension	457,500	486,094
	1,887,986	1,359,009
<b>Total Deferred Outflows of Resources</b>	<b>2,345,486</b>	<b>1,845,103</b>
<b>Liabilities:</b>		
Other Liabilities	1,503,748	1,595,560
Long-Term Liabilities	39,364,649	37,843,275
<b>Total Liabilities</b>	<b>40,868,397</b>	<b>39,438,835</b>
<b>Deferred Inflows of Resources:</b>		
Property Taxes	6,753,840	6,635,288
Pension	1,272,110	3,094,547
<b>Total Deferred Inflows of Resources</b>	<b>8,025,950</b>	<b>9,729,835</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	10,985,109	11,648,494
Restricted	5,860,882	5,862,847
Unrestricted	(15,392,769)	(17,049,810)
<b>Total Net Position</b>	<b>\$1,453,222</b>	<b>\$461,531</b>



**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,453,222.

At year-end, capital assets represented 60% of total assets. Capital assets include land, construction in progress, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2016, were \$10,985,109. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$5,860,882, 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 from 2015 to 2016 because of current year depreciation being greater than current year additions. Long term liabilities increased from 2015 to 2016 due to the increase in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues		
Charges for Services	\$1,172,928	\$1,093,750
Operating Grants and Contributions	1,264,032	1,246,019
Capital Grants and Contributions	11,000	9,910
General Revenues:		
Property Taxes	7,530,991	7,135,341
Grants and Entitlements not Restricted	6,723,885	6,543,174
Other	475,936	374,409
Total Revenues	<u>17,178,772</u>	<u>16,402,603</u>
Program Expenses:		
Instruction	8,383,786	8,073,002
Support Services:		
Pupil and Instructional Staff	1,689,573	1,692,356
School Administrative, General		
Administration, Fiscal and Business	1,606,447	1,355,463
Operations and Maintenance	1,166,606	1,236,859
Pupil Transportation	771,078	738,259
Central	29,191	28,909
Operation of Non-Instructional Services	778,249	791,338
Extracurricular Activities	666,146	559,734
Interest and Fiscal Charges	1,096,005	966,891
Total Program Expenses	<u>16,187,081</u>	<u>15,442,811</u>
Change in Net Position	991,691	959,792
Beginning Net Position	<u>461,531</u>	<u>(498,261)</u>
Ending Net Position	<u>\$1,453,222</u>	<u>\$461,531</u>

**Governmental Activities**

The District revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes, and grants and entitlements comprised 83% 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.

**Brookville Local School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

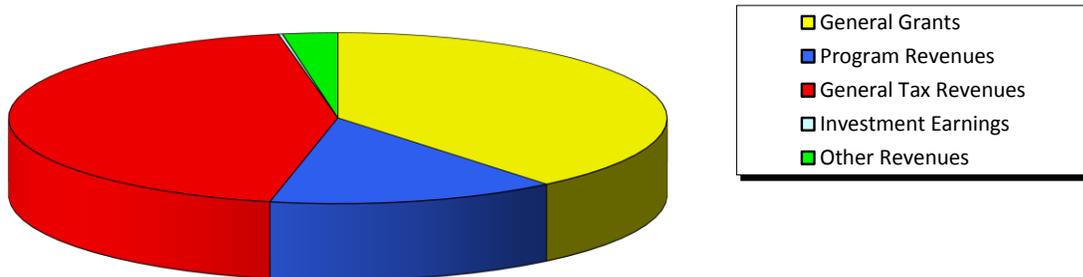
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Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 44% of revenue for governmental activities for the District in fiscal year 2016.

**Governmental Activities**  
**Revenue Sources**

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Revenue Sources	2016	Percentage
General Grants	\$6,723,885	39.1%
Program Revenues	2,447,960	14.2%
General Tax Revenues	7,530,991	43.8%
Investment Earnings	35,026	0.2%
Other Revenues	440,910	2.7%
<b>Total Revenue Sources</b>	<b>\$17,178,772</b>	<b>100.0%</b>



Instruction comprises 52% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses including interest expense were 15%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues increased mostly due to an increase in property tax monies and grant monies, received by the District in 2016 compared to 2015. Total expenses increased due to ongoing cost saving measures throughout the District.

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.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$8,383,786	\$8,073,002	(\$7,093,739)	(\$6,890,816)
Support Services:				
Pupil and Instructional Staff	1,689,573	1,692,356	(1,671,154)	(1,567,087)
School Administrative, General				
Administration, Fiscal and Business	1,606,447	1,355,463	(1,603,328)	(1,352,927)
Operations and Maintenance	1,166,606	1,236,859	(1,166,606)	(1,226,340)
Pupil Transportation	771,078	738,259	(620,637)	(593,756)
Central	29,191	28,909	(23,791)	(23,509)
Operation of Non-Instructional Services	778,249	791,338	(128,161)	(193,062)
Extracurricular Activities	666,146	559,734	(335,700)	(278,744)
Interest and Fiscal Charges	1,096,005	966,891	(1,096,005)	(966,891)
Total Expenses	<u>\$16,187,081</u>	<u>\$15,442,811</u>	<u>(\$13,739,121)</u>	<u>(\$13,093,132)</u>

**The District's Funds**

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$12,016,154 (62%), the debt service fund comprised \$6,571,818 (33%) of the total \$19,393,076 governmental funds' assets.

**General Fund:** Fund balance at June 30, 2016 was \$5,056,526, an increase in fund balance of \$1,446,548 from 2015. The increase in fund balance is mainly due to an increase in tax and intergovernmental revenues.

**Debt Service Fund:** Fund balance at June 30, 2016 was \$5,324,537, an increase in fund balance of \$106,289 from 2015. The increase in fund balance is mainly due to revenues being greater than expenses, which is consistent with prior year.

**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 2016, the District amended its general fund budget. 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 unexpected changes in revenues and expenditures.

**Brookville Local School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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For the General Fund, the original budget basis revenue was \$13,912,446, compared to final budget estimates of \$13,631,386. The difference between the original budget basis and final budget was \$281,060, which was mostly due to overestimates in taxes and intergovernmental revenues. The District’s ending unobligated cash balance was \$5,687,240.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$28,629,801 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

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

---

	Governmental Activities	
	2016	2015
Land	\$935,308	\$935,308
Construction in Progress	0	83,626
Buildings and Improvements	26,473,734	27,350,056
Equipment	1,220,759	1,370,678
Total Net Capital Assets	<u>\$28,629,801</u>	<u>\$29,739,668</u>

Overall, Net Capital Assets decreased mainly due to current year depreciation being greater than current year additions.

See Note 5 to the basic financial statements for further details on the District’s capital assets.

***Debt***

At June 30, 2016, the District had \$19,159,183 in debt outstanding, \$410,813 due within one year. Table 5 summarizes debt outstanding.

**Brookville Local School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
(Unaudited)

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

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	Governmental Activities	
	2016	2015
General Obligation Bonds:		
2003 Building Construction	\$372,120	\$764,976
2006 School Improvement Refunding Bonds:		
Current Interest	16,740,000	16,740,000
Capital Appreciation Bonds - Principal	386,323	430,808
Capital Appreciation Bonds - Interest	1,056,991	969,114
Premium on Refunding Bonds	603,749	641,484
Total Bonds	<u>\$19,159,183</u>	<u>\$19,546,382</u>

See Note 8 to the basic financial statements for further details on the District’s long-term obligations.

**For the Future**

The Ohio Department of Education explains the school funding model in Ohio as follows:

Payments to city, local and exempted village school districts are calculated from data reported by the district, such as the number of students enrolled in the district, and are made twice each month according to a schedule published each spring. Since the data are updated throughout the year, the annual amount due to the district is calculated for each payment and the district receives approximately 1/24th of the annual amount.

In Gov. Kasich’s proposed budget, the state of Ohio will spend more on primary and secondary education than ever before. Fiscal Year 2017 state general revenue fund and lottery profit spending for primary and secondary education will exceed FY11 funding levels by nearly \$2.2 billion, or 31.5 percent. Even including one-time federal stimulus funding, TPP/KwH reimbursements, and property tax relief, FY17 proposed funding levels will exceed FY11 funding levels by \$929 million, or 9.7 percent.

It is important to note that the changes proposed are recommendations, not official changes to law. The Ohio General Assembly has not acted on these recommendations.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**(Unaudited)**

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**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 Tiffany Hiser, Treasurer at Brookville Local School District, 75 June Place, Brookville, Ohio 45309. Or email at [hisert@brookvilleschools.org](mailto:hisert@brookvilleschools.org).

Brookville Local School District, Ohio  
Statement of Net Position  
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$11,906,284
Receivables (Net):	
Taxes	7,202,244
Interest	2,469
Intergovernmental	163,674
Prepays	13,780
Inventory	83,831
Nondepreciable Capital Assets	935,308
Depreciable Capital Assets, Net	<u>27,694,493</u>
 Total Assets	 <u>48,002,083</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	457,500
	<u>1,887,986</u>
 Total Deferred Outflows of Resources	 <u>2,345,486</u>
Liabilities:	
Accounts Payable	97,487
Accrued Wages and Benefits	1,311,518
Accrued Interest Payable	94,743
Long-Term Liabilities:	
Due Within One Year	441,674
Due In More Than One Year:	
Net Pension Liability	19,312,614
Other Amounts	<u>19,610,361</u>
 Total Liabilities	 <u>40,868,397</u>
Deferred Inflows of Resources:	
Property Taxes	6,753,840
Pension	<u>1,272,110</u>
 Total Deferred Inflows of Resources	 <u>8,025,950</u>
Net Position:	
Net Investment in Capital Assets	10,985,109
Restricted for:	
Debt Service	5,261,207
Capital Projects	151,192
Food Service	166,739
Classroom Facilities Maintenance	149,100
Federal Grants	77,572
Extracurricular	55,072
Unrestricted	<u>(15,392,769)</u>
 Total Net Position	 <u><u>\$1,453,222</u></u>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$6,481,298	\$294,008	\$46,105	\$0	(\$6,141,185)
Special	1,657,790	48,433	892,510	0	(716,847)
Vocational	164,118	0	8,991	0	(155,127)
Other	80,580	0	0	0	(80,580)
<b>Support Services:</b>					
Pupil	1,076,300	0	15,205	0	(1,061,095)
Instructional Staff	613,273	0	3,214	0	(610,059)
General Administration	21,783	0	0	0	(21,783)
School Administration	1,295,205	0	3,119	0	(1,292,086)
Fiscal	279,706	0	0	0	(279,706)
Business	9,753	0	0	0	(9,753)
Operations and Maintenance	1,166,606	0	0	0	(1,166,606)
Pupil Transportation	771,078	143,831	6,610	0	(620,637)
Central	29,191	0	5,400	0	(23,791)
Operation of Non-Instructional Services	778,249	378,260	271,828	0	(128,161)
Extracurricular Activities	666,146	308,396	11,050	11,000	(335,700)
Interest and Fiscal Charges	1,096,005	0	0	0	(1,096,005)
<b>Totals</b>	<b>\$16,187,081</b>	<b>\$1,172,928</b>	<b>\$1,264,032</b>	<b>\$11,000</b>	<b>(13,739,121)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	6,161,579
Debt Service Purposes	1,333,732
Capital Projects Purposes	35,680
Grants and Entitlements, Not Restricted	6,723,885
Revenue in Lieu of Taxes	119,917
Unrestricted Contributions	55,734
Investment Earnings	35,026
Other Revenues	265,259

Total General Revenues 14,730,812

Change in Net Position 991,691

Net Position - Beginning of Year 461,531

Net Position - End of Year \$1,453,222

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$6,034,201	\$5,275,357	\$596,726	\$11,906,284
<b>Receivables (Net):</b>				
Taxes	5,871,596	1,296,461	34,187	7,202,244
Interest	0	0	2,469	2,469
Intergovernmental	0	0	163,674	163,674
Interfund	20,794	0	0	20,794
Prepays	12,919	0	861	13,780
Inventory	76,644	0	7,187	83,831
<b>Total Assets</b>	<b>12,016,154</b>	<b>6,571,818</b>	<b>805,104</b>	<b>19,393,076</b>
<b>Liabilities:</b>				
Accounts Payable	66,729	0	30,758	97,487
Accrued Wages and Benefits	1,233,891	0	77,627	1,311,518
Compensated Absences	4,399	0	9,725	14,124
Interfund Payable	0	0	20,794	20,794
<b>Total Liabilities</b>	<b>1,305,019</b>	<b>0</b>	<b>138,904</b>	<b>1,443,923</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	5,654,609	1,247,281	33,001	6,934,891
Grants and Other Taxes	0	0	163,674	163,674
Investment Earnings	0	0	2,469	2,469
<b>Total Deferred Inflows of Resources</b>	<b>5,654,609</b>	<b>1,247,281</b>	<b>199,144</b>	<b>7,101,034</b>
<b>Fund Balances:</b>				
Nonspendable	89,563	0	861	90,424
Restricted	0	5,324,537	543,675	5,868,212
Assigned	219,804	0	0	219,804
Unassigned	4,747,159	0	(77,480)	4,669,679
<b>Total Fund Balances</b>	<b>5,056,526</b>	<b>5,324,537</b>	<b>467,056</b>	<b>10,848,119</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$12,016,154</b>	<b>\$6,571,818</b>	<b>\$805,104</b>	<b>\$19,393,076</b>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2016

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Total Governmental Fund Balance		\$10,848,119
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		28,629,801
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	181,051	
Interest	2,469	
Intergovernmental	<u>163,674</u>	
		347,194
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.		
		(94,743)
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		(878,728)
Deferred outflow of resources associated with long-term liabilities are not reported in the funds.		
		457,500
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	1,887,986	
Deferred inflows of resources related to pensions	<u>(1,272,110)</u>	
		615,876
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(19,312,614)	
Other Amounts	<u>(19,159,183)</u>	
		<u>(38,471,797)</u>
Net Position of Governmental Activities		<u>\$1,453,222</u>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$6,158,943	\$1,334,376	\$35,566	\$7,528,885
Tuition and Fees	384,774	0	0	384,774
Investment Earnings	22,973	0	10,017	32,990
Intergovernmental	6,957,196	241,220	691,031	7,889,447
Extracurricular Activities	135,758	0	197,376	333,134
Charges for Services	69,795	0	378,260	448,055
Revenue in Lieu of Taxes	119,917	0	0	119,917
Other Revenues	302,890	0	47,119	350,009
<b>Total Revenues</b>	<b>14,152,246</b>	<b>1,575,596</b>	<b>1,359,369</b>	<b>17,087,211</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	5,586,749	0	43,512	5,630,261
Special	1,277,366	0	390,624	1,667,990
Vocational	176,151	0	0	176,151
Other	78,949	0	0	78,949
<b>Support Services:</b>				
Pupil	1,071,019	0	10,631	1,081,650
Instructional Staff	605,366	0	4,050	609,416
General Administration	21,865	0	0	21,865
School Administration	1,248,257	0	2,799	1,251,056
Fiscal	261,472	18,153	580	280,205
Business	9,753	0	0	9,753
Operations and Maintenance	1,074,691	0	119,640	1,194,331
Pupil Transportation	673,459	0	94,560	768,019
Central	23,791	0	5,400	29,191
Operation of Non-Instructional Services	158,468	0	580,638	739,106
Extracurricular Activities	398,342	0	236,500	634,842
Capital Outlay	0	0	115,992	115,992
<b>Debt Service:</b>				
Principal Retirement	0	437,341	0	437,341
Interest and Fiscal Charges	0	1,013,813	0	1,013,813
<b>Total Expenditures</b>	<b>12,665,698</b>	<b>1,469,307</b>	<b>1,604,926</b>	<b>15,739,931</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,486,548</b>	<b>106,289</b>	<b>(245,557)</b>	<b>1,347,280</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	136,148	136,148
Transfers (Out)	(40,000)	0	(96,148)	(136,148)
<b>Total Other Financing Sources (Uses)</b>	<b>(40,000)</b>	<b>0</b>	<b>40,000</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>1,446,548</b>	<b>106,289</b>	<b>(205,557)</b>	<b>1,347,280</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,609,978</b>	<b>5,218,248</b>	<b>672,613</b>	<b>9,500,839</b>
<b>Fund Balance - End of Year</b>	<b>\$5,056,526</b>	<b>\$5,324,537</b>	<b>\$467,056</b>	<b>\$10,848,119</b>

See accompanying notes to the basic financial statements.

Brookville 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, 2016

Net Change in Fund Balance - Total Governmental Funds \$1,347,280

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	164,551	
Depreciation Expense	<u>(1,274,418)</u>	(1,109,867)

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	1,115,244	
Cost of benefits earned net of employee contributions	<u>(936,057)</u>	179,187

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

Delinquent Property Taxes	2,106	
Interest	2,036	
Intergovernmental	<u>87,419</u>	91,561

Repayment of bond principal and accreted interest is an expenditure  
 in the governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net position. 547,856

In the statement of activities interest expense is accrued when incurred;  
 whereas, in governmental funds an interest expenditure is reported  
 when due. (3,456)

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	128,381	
Amortization of Bond Premium	37,735	
Amortization of Deferred Charge on Refunding	(28,594)	
Bond Accretion	<u>(198,392)</u>	(60,870)

Change in Net Position of Governmental Activities \$991,691

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,226,206	\$6,100,424	\$6,236,450	\$136,026
Revenue in lieu of taxes	119,720	117,301	119,917	2,616
Tuition and Fees	312,167	305,861	312,681	6,820
Investment Earnings	22,935	22,472	22,973	501
Intergovernmental	6,945,023	6,804,719	6,956,449	151,730
Extracurricular Activities	54,920	53,810	55,010	1,200
Other Revenues	231,475	226,799	231,856	5,057
<b>Total Revenues</b>	<b>13,912,446</b>	<b>13,631,386</b>	<b>13,935,336</b>	<b>303,950</b>
Expenditures:				
Current:				
Instruction:				
Regular	5,882,637	5,856,989	5,643,959	213,030
Special	1,354,888	1,348,981	1,299,916	49,065
Vocational	185,045	184,238	177,537	6,701
Adult/Continuing	2	2	2	0
Other	92,401	91,998	88,652	3,346
Support Services:				
Pupil	1,116,950	1,112,081	1,071,632	40,449
Instructional Staff	626,468	623,737	601,050	22,687
General Administration	22,783	22,684	21,859	825
School Administration	1,286,484	1,280,875	1,234,287	46,588
Fiscal	273,462	272,270	262,367	9,903
Business	10,165	10,121	9,753	368
Operations and Maintenance	1,166,716	1,161,629	1,119,378	42,251
Pupil Transportation	769,154	765,801	737,947	27,854
Central	24,797	24,689	23,791	898
Operation of Non-Instructional Services	117,883	117,369	113,100	4,269
Extracurricular Activities	412,435	410,637	395,701	14,936
<b>Total Expenditures</b>	<b>13,342,270</b>	<b>13,284,101</b>	<b>12,800,931</b>	<b>483,170</b>
Excess of Revenues Over (Under) Expenditures	570,176	347,285	1,134,405	787,120
Other financing sources (uses):				
Advances In	1,914	1,875	1,917	42
Advances (Out)	(21,673)	(21,579)	(20,794)	785
Transfers (Out)	(41,692)	(41,510)	(40,000)	1,510
<b>Total Other Financing Sources (Uses)</b>	<b>(61,451)</b>	<b>(61,214)</b>	<b>(58,877)</b>	<b>2,337</b>
Net Change in Fund Balance	508,725	286,071	1,075,528	789,457
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	4,611,712	4,611,712	4,611,712	0
Fund Balance - End of Year	<u>\$5,120,437</u>	<u>\$4,897,783</u>	<u>\$5,687,240</u>	<u>\$789,457</u>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

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	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	\$29,992	\$81,800
Total Assets	<u>29,992</u>	<u>81,800</u>
Liabilities:		
Accounts Payable	0	566
Other Liabilities	0	81,234
Total Liabilities	<u>0</u>	<u>\$81,800</u>
Net Position:		
Held in Trust	<u>29,992</u>	
Total Net Position	<u>\$29,992</u>	

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2016

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	Private Purpose Trust Fund
Additions:	
Donations	\$500
Investment Earnings	59
	<hr/>
Total Additions	559
	<hr/>
Deductions:	
Scholarships	1,365
	<hr/>
Total Deductions	1,365
	<hr/>
Change in Net Position	(806)
	<hr/>
Net Position - Beginning of Year	30,798
	<hr/>
Net Position - End of Year	<u>\$29,992</u>

See accompanying notes to the basic financial statements.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 1 - Summary of Significant Accounting Policies**

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**Reporting Entity**

Brookville Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 70 noncertified and approximately 98 certified teaching personnel and administrative employees providing education to 1,521 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation, and care and upkeep of grounds and buildings.

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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has no component units.

The District participates in one insurance purchasing pool and three jointly governed organizations. These organizations are discussed in Note 12 and Note 13 to the basic financial statements. These organizations are:

**Insurance Purchasing Pool:**

- Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

**Jointly Governed Organizations:**

- Southwestern Ohio Instructional Technology Association
- Southwestern Ohio Educational Purchasing Council
- Metropolitan Educational Technology Association

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

Debt Service Fund - This fund is used for the accumulation of resources for the payment, of general long-term debt principal and interest.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary 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 District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own program. The District's two trust funds are private-purpose trust that account for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund accounts for student-managed activities.

**Basis of Presentation-Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The 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 grants and contributions that are restricted to meeting

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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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** - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Private-purpose trust funds are reported using the economic resources measurement focus.

**Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, and student fees.

Current property taxes measurable at June 30, 2016, and which are not intended to finance fiscal year 2016 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

**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.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows of resources.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

**Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as final budget on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2016.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications. The amounts reported on the budgetary statements as final budget reflect the final appropriations passed during fiscal year 2016.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to committed or assigned fund balance (GAAP basis).

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

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$1,446,548
Revenue Accruals	(215,816)
Expenditure Accruals	30,729
Advances In	1,917
Advances (Out)	(20,794)
Encumbrances	(169,402)
Funds Budgeted Elsewhere	2,346
Budget Basis	\$1,075,528

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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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 deposit 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 credited to the General Fund during fiscal year 2016 amounted to \$22,973 and \$10,017 in Other Governmental Funds.

**Inventory**

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

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

**Property, Plant and Equipment - Governmental Activities**

These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$500.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined at June 30, 2016 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

**Depreciation**

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings and Improvements	20 - 40
Equipment	5 - 20

**Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds and Refunding Bonds	Debt Service Fund
Compensated Absences	General & Nonmajor Governmental Funds

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
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**Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 294 days for certified and 303 days for classified. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 73 ½ days. The portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the general fund. In the government wide statement of net position, Compensated Absences Payable is recorded within the Due within one year account and the long-term portion of the liability is recorded within the Due in more than one year account.

**Net Position**

Net position represents the difference between assets and liabilities. 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 is 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. Of the District's restricted net position of \$5,860,882, none was restricted by enabling legislation.

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

**Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

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.

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flow 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. Repayment from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transactions within governmental activities are eliminated on the entity-wide statement of activities.

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**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 (inventory) 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 are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

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

**Estimates**

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

**Note 2 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and 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.

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Inactive Monies – Those monies not required for use within the current five 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.
- (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 not limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (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.

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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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement 40, "Deposit and Investment Risk Disclosures".

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government'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, 2016, \$4,945,535 of the District's bank balance of \$5,255,221 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institutions 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 at 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.

**Investments**

As of June 30, 2016, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CD's	\$251,958	1.82
Federal Farm Credit Bank	2,000,040	1.16
Money Market Fund	<u>4,568,007</u>	
Total Fair Value	<u>\$6,820,005</u>	
Portfolio Weighted Average Maturity		0.41

The District categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2016. All investments of the District are valued using quoted market prices (Level 1 inputs).

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.

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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 a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Federal Farm Credit Bank were rated AA+ by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Negotiable CD’s and Money Market Funds were not rated.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, 4% in Negotiable CD’s, 29% in Federal Farm Credit Bank and 67% in Money Market Fund.

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. The District’s investment policy does not address this risk for investments.

**Note 3 – Property Taxes**

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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 January 20; 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. The District receives property taxes from Montgomery 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, 2016, are available to finance fiscal year 2017 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, 2016. 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 receivable is therefore offset by a credit to deferred inflows of resources for the portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2016, was \$267,353 and is recognized as revenue: \$216,987 in the General Fund, \$49,180 in the Debt Service Fund and \$1,186 in the Other Governmental Funds. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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The assessed values, upon which the fiscal year 2016 receipts were based, were as follows:

<u>2015 Second Half Collections</u>		<u>2016 First Half Collections</u>	
Agricultural/Residential and Other Real Estate	\$184,564,870	Agricultural/Residential and Other Real Estate	\$184,864,660
Public Utility Personal	5,249,510	Public Utility Personal	5,368,080
Total Assessed Value	<u>\$189,814,380</u>	Total Assessed Value	<u>\$190,232,740</u>
	\$69.03		\$74.25

**Note 4 – Receivables**

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Receivables at June 30, 2016 consisted of taxes, interest receivable, intergovernmental receivables, and interfund receivable.

**Note 5 - Capital Assets**

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**Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$935,308	\$0	\$0	\$935,308
Construction in Progress	83,626	37,278	120,904	0
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	38,533,381	120,904	0	38,654,285
Equipment	5,950,145	136,175	135,621	5,950,699
Totals at Historical Cost	<u>45,502,460</u>	<u>294,357</u>	<u>256,525</u>	<u>45,540,292</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	11,183,325	997,226	0	12,180,551
Equipment	4,579,467	277,192	126,719	4,729,940
Total Accumulated Depreciation	<u>15,762,792</u>	<u>1,274,418</u>	<u>126,719</u>	<u>16,910,491</u>
Governmental Activities Capital Assets, Net	<u>\$29,739,668</u>	<u>(\$980,061)</u>	<u>\$129,806</u>	<u>\$28,629,801</u>

**Brookville Local School District, Ohio**  
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Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$1,126,285
Special	4,678
Vocational	907
Support Services:	
Pupil	2,685
Instructional Staff	9,251
General Administration	138
School Administration	3,019
Fiscal	219
Operations and Maintenance	16,507
Pupil Transportation	37,121
Operation of Non-Instructional Services	39,723
Extracurricular Activities	33,885
Total Depreciation Expense	<u>\$1,274,418</u>

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**Note 6 - Defined Benefit Pension Plans**

**Net Pension Liability**

Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

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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 payable* on both the accrual and modified accrual basis of accounting.

**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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

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The District's contractually required contribution to SERS was \$272,124 for fiscal year 2016. Of this amount \$32,510 is reported as accrued wages and benefits.

**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.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to STRS was \$843,120 for fiscal year 2016. Of this amount \$144,692 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, 2015, 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	\$3,651,674	\$15,660,940	\$19,312,614
Proportion of the Net Pension Liability	0.06399600%	0.05666642%	
Pension Expense	225,241	710,820	936,061

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$58,800	\$713,942	\$772,742
District contributions subsequent to the measurement date	<u>272,124</u>	<u>843,120</u>	<u>1,115,244</u>
Total Deferred Outflows of Resources	<u>\$330,924</u>	<u>\$1,557,062</u>	<u>\$1,887,986</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$120,992	\$1,126,318	\$1,247,310
Change in proportionate share and difference between District contributions and proportionate share of contributions	<u>19,475</u>	<u>5,325</u>	<u>24,800</u>
Total Deferred Inflows of Resources	<u>\$140,467</u>	<u>\$1,131,643</u>	<u>\$1,272,110</u>

\$1,115,244 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, 2017. 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:			
2017	(\$50,161)	(\$255,503)	(\$305,664)
2018	(50,161)	(255,503)	(305,664)
2019	(50,440)	(255,503)	(305,943)
2020	<u>69,093</u>	<u>348,806</u>	<u>417,899</u>
Total	<u>(\$81,669)</u>	<u>(\$417,703)</u>	<u>(\$499,372)</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.

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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, 2015, are presented below:

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

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

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

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

<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>	

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**For The Fiscal Year Ended June 30, 2016**

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**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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$5,063,559	\$3,651,674	\$2,462,750

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes in not known, the impact on the School District’s net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, 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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

**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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$21,754,228	\$15,660,941	\$10,508,158

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 7 - Post Employment Benefits**

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***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.

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 2016, zero 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 2016, this amount was \$23,000. 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 2016, the District's surcharge obligation was \$35,282.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$22,229, and \$3,375, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

***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.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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 2016, 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, 2016, 2015, and 2014 were \$0, \$0, and \$59,691 respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**Note 8 - Long-Term Debt and Other Obligations**

Detail of the changes in the bonds and compensated absences of the District for the year ended June 30, 2016 is as follows:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
2003 Building Construction	1.25-5.52%	\$764,976	\$0	(\$392,856)	\$372,120	\$372,120
2006 Refunding:						
Current Interest Bonds	3.50-4.13%	16,740,000	0	0	16,740,000	0
Capital Appreciation Bonds - Principal		430,808	0	(44,485)	386,323	38,693
Capital Appreciation Bonds - Interest Premium		969,114	198,392	(110,515)	1,056,991	0
		641,484	0	(37,735)	603,749	0
Subtotal Bonds		19,546,382	198,392	(585,591)	19,159,183	410,813
Net Pension Liability:						
STRS		13,770,963	2,717,031	(827,053)	15,660,941	0
SERS		3,369,424	666,172	(383,922)	3,651,674	0
Total Net Pension Liability		17,140,387	3,383,203	(1,210,975)	19,312,615	0
Compensated Absences		1,156,506	235,602	(499,256)	892,852	30,861
Total Governmental Activities Long-Term Liabilities		<u>\$37,843,275</u>	<u>\$3,817,197</u>	<u>(\$2,295,822)</u>	<u>\$39,364,650</u>	<u>\$441,674</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the termination benefits fund, which is reported as part of the General Fund for GAAP reporting purposes.

**Prior Year Defeasance of Debt**

As a result of the December 2006 advance refunding, the \$18,504,986 of 2003 bonds that were originally for improvements, renovations, and additions to school facilities are considered defeased and the liability is therefore not included on the Statement of Net Position.

**Refunded Bonds**

In December 2006, the District advance refunded \$18,504,986 in bonds that were originally for improvements, renovations, and additions to school facilities. The \$981,099 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt which has a final maturity date of December 1, 2031. The debt will be retired from the debt service fund.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$18,504,986 issued, \$17,830,000 represents serial bonds and \$674,986 is capital appreciation bonds. The serial bonds mature at varying amounts through December 1, 2031.

The capital appreciation bonds will mature in fiscal years 2015, 2016, 2017, 2018, and 2019. The final maturity amount of the bonds is \$2,780,000.

The deferred amount on the refunding is \$854,875. This represents the difference between the payments to refunding bond escrow agent of \$19,359,861 and the issuance of refunding bonds of \$18,504,986.

**Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2016 follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$372,120	\$924,034	\$1,296,154	\$38,693	\$116,307	\$155,000
2018	0	711,154	711,154	160,669	579,331	740,000
2019	0	711,153	711,153	186,961	803,039	990,000
2020	990,000	691,354	1,681,354	0	0	0
2021	1,030,000	650,954	1,680,954	0	0	0
2022-2026	5,965,000	2,577,561	8,542,561	0	0	0
2027-2031	7,435,000	1,159,228	8,594,228	0	0	0
2032	1,320,000	29,700	1,349,700	0	0	0
Total	<u>\$17,112,120</u>	<u>\$7,455,138</u>	<u>\$24,567,258</u>	<u>\$386,323</u>	<u>\$1,498,677</u>	<u>\$1,885,000</u>

**Note 9 - Statutory Reserves**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2016, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	248,138
Qualified Disbursements	(177,367)
Current Year Offsets	(70,771)
Total	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2016	<u>\$0</u>

Carried Forward as of June 30, 2016

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 10 – Interfund Transactions**

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Interfund transactions at June 30, 2016, consisted of the following interfund receivable and interfund payable and transfers in and out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General	\$20,794	\$0	\$0	\$40,000
Other Governmental Funds	0	20,794	136,148	96,148
Total	<u>\$20,794</u>	<u>\$20,794</u>	<u>\$136,148</u>	<u>\$136,148</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.

In November of 2008 the District was granted permission from OSFC to transfer money from the Permanent Improvement Fund to Classroom Facilities Maintenance Fund (both funds are Other Governmental Funds) to meet the District’s 1/2 mill requirement.

**Note 11 - Risk Management**

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The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2016 the District contracted with the following insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Arthur J. Gallagher and Company	School Board Liability	\$10,000
Arthur J. Gallagher and Company	Excess Liability	0
Arthur J. Gallagher and Company	Excess Property	5,000
Arthur J. Gallagher and Company	Boiler & Machinery	3,500
Arthur J. Gallagher and Company	Auto Liability	1,000
Arthur J. Gallagher and Company	Cyber Liability	15,000
Arthur J. Gallagher and Company	Pollution	25,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**Note 12 - Insurance Purchasing Pool**

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Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (WCGRP) - The District participates in the WCGRP, an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The Plan's business and affairs are conducted by an executive committee elected by members of the cooperative.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

**Note 13 - Jointly Governed Organizations**

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Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During the fiscal year 2016, the District paid \$5,038 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 1205 East Fifth Street, Dayton, Ohio 45402.

Southwestern Ohio Educational Purchasing Council (SOEPC) - SOEPC is a purchasing council made up of nearly one hundred school districts in twelve counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. Payments to SOEPC are made from the general fund. During fiscal year 2016, the District paid \$67,460 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Metropolitan Educational Technology Association - The District is a member of the Metropolitan Educational Technology Association (META). META develops, implements, and supports the technology and instructional needs of schools. The Board of Directors of META consists of a president and vice president along with 6 members. During fiscal year 2016, the District paid \$20,416 to META. Financial information can be obtained from Dean Reineke, who serves as the Senior VP of Communications, at 225 Linwood Street, Dayton, OH 45405.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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**Note 14 – Contingencies**

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**Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustment to the June 30, 2015 or June 30, 2016 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.

**Litigation**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements 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 disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the affect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

**Note 15 – Accountability**

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The following funds had deficit fund balances at June 30, 2016:

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Title I	\$23,720
IDEA Early Education	2,804
IDEA Part B	48,981
Title II-A	1,466

These deficits were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur. These deficits do not exist on a cash basis.

**Note 16 – Fund Balances**

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventory	\$89,563	\$0	\$0	\$89,563
IDEA Part B	0	0	302	302
Title I	0	0	183	183
IDEA Early Education	0	0	24	24
Food Service	0	0	352	352
<b>Total Nonspendable</b>	<b>89,563</b>	<b>0</b>	<b>861</b>	<b>90,424</b>
<b>Restricted for:</b>				
Athletics	0	0	55,072	55,072
Food Service	0	0	191,705	191,705
Classroom Facilities Maintenance	0	0	149,100	149,100
Debt Service	0	5,324,537	0	5,324,537
Permanent Improvement	0	0	147,798	147,798
<b>Total Restricted</b>	<b>0</b>	<b>5,324,537</b>	<b>543,675</b>	<b>5,868,212</b>
<b>Assigned to:</b>				
Public School Support	90,999	0	0	90,999
Encumbrances	128,805	0	0	128,805
<b>Total Assigned</b>	<b>219,804</b>	<b>0</b>	<b>0</b>	<b>219,804</b>
<b>Unassigned (Deficit)</b>	<b>4,747,159</b>	<b>0</b>	<b>(77,480)</b>	<b>4,669,679</b>
<b>Total Fund Balance</b>	<b>\$5,056,526</b>	<b>\$5,324,537</b>	<b>\$467,056</b>	<b>\$10,848,119</b>

**Note 17 – Change in Accounting Principles**

For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2016**

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GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.05666642%	0.05661597%	0.05661597%
District's Proportionate Share of the Net Pension Liability	\$15,660,940	\$13,770,963	\$16,359,704
District's Covered-Employee Payroll	\$5,844,607	\$6,229,554	\$6,627,138
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	267.96%	221.06%	246.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

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

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.06399600%	0.06657700%	0.06657700%
District's Proportionate Share of the Net Pension Liability	\$3,651,674	\$3,369,424	\$3,960,306
District's Covered-Employee Payroll	\$2,879,454	\$1,954,127	\$2,545,838
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	126.82%	172.43%	155.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$843,120	\$818,244	\$809,842	\$861,528	\$890,964	\$890,124	\$893,328	\$827,088	\$785,172	\$838,596
Contributions in Relation to the Contractually Required Contribution	(843,120)	(818,244)	(809,842)	(861,528)	(890,964)	(890,124)	(893,328)	(827,088)	(785,172)	(838,596)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$6,022,286	\$5,844,607	\$6,229,554	\$6,627,138	\$6,853,569	\$6,847,108	\$6,871,754	\$6,362,215	\$6,039,785	\$6,450,738
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$272,124	\$379,512	\$270,842	\$352,344	\$337,968	\$335,304	\$296,232	\$288,780	\$308,268	\$304,080
Contributions in Relation to the Contractually Required Contribution	(272,124)	(379,512)	(270,842)	(352,344)	(337,968)	(335,304)	(296,232)	(288,780)	(308,268)	(304,080)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$1,943,743	\$2,879,454	\$1,954,127	\$2,545,838	\$2,512,773	\$2,667,494	\$2,187,829	\$2,934,756	\$3,139,185	\$2,847,191
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%



# Dave Yost • Auditor of State

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

Brookville Local School District  
Montgomery County  
75 June Place  
Brookville, Ohio 45309

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 Brookville Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2017.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

***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*.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***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.



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

May 31, 2017

**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016**

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

**FINDING NUMBER 2016-001**

**Financial Statements Misstatements – Significant Deficiency**

The District prepared its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The District's annual financial report contained errors which resulted in reclassifications and adjustments to correctly report the District's financial activity.

The following errors were identified as material and resulted in audit adjustments which are reflected within the accompanying financial statements:

The District did not properly calculate deferred inflows of resources, deferred outflows of resources, and pension expense reported under Governmental Activities related to the net pension liability for the School Employees Retirement System (SERS) and State Teachers Retirement System (STRS). Deferred outflows of resources, deferred inflows of resources, and pension expense were overstated by \$1,139,184, \$1,156,214, and \$17,030, respectively.

Policies and procedures should be established and implemented to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

**Officials' Response:**

The District will review and work with their GAAP consultant to make sure that the GASB 68 net pension liability is implemented correctly in the future.

**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The District will review and work with their GAAP consultant to make sure that the GASB 68 net pension liability is implemented correctly in the future.	11/30/2017	Tiffany Hiser, Treasurer



# Dave Yost • Auditor of State

**BROOKVILLE LOCAL SCHOOL DISTRICT**

**MONTGOMERY 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  
JUNE 20, 2017**