



Dave Yost • Auditor of State

**GREEN LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Green Local School District
Scioto County
4070 Gallia Pike
Franklin Furnace, Ohio 45629

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Green Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Green Local School District, Scioto 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 22, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 22, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Green Local School District (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Net position of governmental activities increased \$869,681.
- General revenues accounted for \$6,736,670 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$1,667,563 or 20 percent of total revenues of \$8,404,233.
- The School District had \$7,534,552 in expenses related to governmental activities; \$1,667,563 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Green Local School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's 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 the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes to that position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Position and the Statement of Activities, the School District has only one kind of activity.

- Governmental Activities. Most of the School District's programs and services are reported here including instruction and support services.

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 8. Fund financial statements provide detailed information about the School District's major fund – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's only major fund is the General Fund.

Governmental Funds

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds consist of a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's college scholarship donations and student managed activities. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

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

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

Table 1
Net Position
Governmental Activities

| | 2016 | 2015 |
|---|----------------|----------------|
| Assets: | | |
| Current and Other Assets | \$ 4,318,716 | \$ 3,483,646 |
| Capital Assets, Net | 2,024,149 | 2,128,544 |
| Total Assets | 6,342,865 | 5,612,190 |
| Deferred Outflows of Resources: | | |
| Pensions | 857,236 | 604,200 |
| Total Deferred Outflows of Resources | 857,236 | 604,200 |
| Liabilities: | | |
| Current and Other Liabilities | 634,722 | 734,390 |
| Long-Term Liabilities: | | |
| Due Within One Year | 18,980 | 82,471 |
| Due in More than One Year: | | |
| Net Pension Liabilities | 7,532,657 | 7,106,122 |
| Other Amounts | 252,850 | 193,702 |
| Total Liabilities | 8,439,209 | 8,116,685 |
| Deferred Inflows of Resources | | |
| Pensions | 1,034,254 | 1,326,704 |
| Property Taxes not Levied to Finance the Current Year | 1,738,129 | 1,654,173 |
| Total Deferred Inflows of Resources | 2,772,383 | 2,980,877 |
| Net Position: | | |
| Net Investment in Capital Assets | 2,008,573 | 2,011,284 |
| Restricted | 176,374 | 191,893 |
| Unrestricted | (6,196,438) | (7,084,349) |
| Total Net Position | \$ (4,011,491) | \$ (4,881,172) |

Many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

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

Total net position of the School District as a whole increased in the amount of \$869,681. Current and other assets increased primarily due to an increase in taxes receivable, intergovernmental receivable and cash on hand as of year end. Capital assets decreased due primarily to current year depreciation and deletions, which were partially offset by current year additions. Deferred outflows of resources increased due to the pension activity. Current and other liabilities decreased primarily due to a decrease in contracts and intergovernmental payables, which were partially offset by an increase in accounts payable. Long term liabilities increased as a result of increased pension liability. Deferred inflows of resources decreased due to the pension activity, which was partially offset by an increase in deferred inflows for property tax.

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

Table 2 shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

Table 2
Change in Net Position
Governmental Activities

| | 2016 | 2015 |
|--|----------------|----------------|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$ 554,720 | \$ 592,995 |
| Operating Grants and Contributions | 1,112,843 | 1,150,195 |
| Total Program Revenues | 1,667,563 | 1,743,190 |
| General Revenues: | | |
| Grants and Entitlements, Not Restricted to Specific Programs | 4,572,561 | 3,802,031 |
| Gifts and Donations, Not Restricted to Specific Programs | 1,496 | - |
| Investment Earnings | 1,366 | 2,395 |
| Payments in Lieu of Taxes | 104,400 | 104,400 |
| Miscellaneous | 114,964 | 247,592 |
| Property Taxes | 1,941,883 | 1,837,565 |
| Total General Revenues | 6,736,670 | 5,993,983 |
| Total Revenues | 8,404,233 | 7,737,173 |
| Program Expenses | | |
| Instruction | | |
| Regular | 2,727,860 | 2,532,493 |
| Special | 873,790 | 919,031 |
| Vocational | 9,468 | 16,406 |
| Other | 1,162,116 | 1,058,576 |
| Support Services | | |
| Pupils | 225,257 | 242,913 |
| Instructional Staff | 184,753 | 167,363 |
| Board of Education | 116,065 | 247,669 |
| Administration | 530,336 | 666,456 |
| Fiscal | 266,552 | 278,756 |
| Operation and Maintenance of Plant | 600,781 | 613,825 |
| Pupil Transportation | 451,334 | 451,576 |
| Operation of Non-Instructional Services | 227,524 | 235,873 |
| Extracurricular Activities | 158,022 | 133,885 |
| Interest and Fiscal Charges | 694 | 1,970 |
| Total Expenses | 7,534,552 | 7,566,792 |
| Increase in Net Position | 869,681 | 170,381 |
| Net Position at Beginning of Year | (4,881,172) | (5,051,553) |
| Net Position at End of Year | \$ (4,011,491) | \$ (4,881,172) |

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

Governmental Activities

Operating grants and contributions remained consistent with the prior year. Grants and entitlements not restricted to specific programs increased as a result of increased foundation monies received as a result of the new biennium budget. Within the new budget, there is an allowance for Capacity, which allows additional funding for districts whose property values are below the State median.

Regular instruction increased due to an increase in excess costs as compared to the prior year. The increase in other instruction expenditures was related to increased student intervention services provided by the School District. Board of Education expenses decreased as a result of legal fees in the prior year. Administration decreased due to a decrease purchased services and dues and fees as compared to the prior year.

Grants and entitlements, not restricted to specific programs comprised 54 percent of revenue for governmental activities, while property taxes comprised 23 percent. Charges for services and sales comprised 7 percent of revenue for governmental activities, while operating grants and contributions comprised 13 percent of revenue for governmental activities of the School District for fiscal year 2016.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 36 percent of governmental program expenses with Special Instruction and Other Instruction comprising 12 and 15 percent, respectively of governmental expenses.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

| | 2016 | | 2015 | |
|---|------------------------|----------------------|------------------------|----------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | \$ 4,773,234 | \$ 3,643,022 | \$ 4,526,506 | \$ 3,399,084 |
| Support Services | 2,375,078 | 2,139,950 | 2,668,558 | 2,385,205 |
| Operation of Non-Instructional Services | 227,524 | 44,299 | 235,873 | 1,539 |
| Extracurricular Activities | 158,022 | 39,075 | 133,885 | 35,962 |
| Interest and Fiscal Charges | 694 | 643 | 1,970 | 1,812 |
| Total Expenses | \$ 7,534,552 | \$ 5,866,989 | \$ 7,566,792 | \$ 5,823,602 |

THE SCHOOL DISTRICT'S FUNDS

The fund balance of the General fund increased in the amount of \$802,925. The increase is due to additional revenues received for Capacity Aid as a result of the new biennium budget in addition to decreased expenditures for capital outlay.

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

General Fund Budgeting Highlights

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

The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. Final budget revenues increased in the amount of \$328,371 over original budget revenues. This increase is due to an increase in intergovernmental revenues. Final budget appropriations decreased in the amount of \$388,538 over original appropriations. This decrease is due to decreases in special instruction, board of education, and capital outlay, which were partially offset by an increase in regular instruction. The General fund's ending unobligated cash balance was \$1,537,043.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the School District had \$2,024,149 invested in its capital assets. Table 4 shows the fiscal year 2016 balances compared to 2015.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

| Governmental Activities | | |
|----------------------------|--------------|--------------|
| | 2016 | 2015 |
| Land and Land Improvements | \$ 178,906 | \$ 186,130 |
| Buildings and Improvements | 1,198,356 | 1,253,224 |
| Furniture and Equipment | 458,235 | 483,556 |
| Vehicles | 140,748 | 157,066 |
| Textbooks | 47,904 | 48,568 |
| Totals | \$ 2,024,149 | \$ 2,128,544 |

Changes in capital assets from the prior year resulted from the additions of buildings and improvements and furniture and equipment, which were partially offset by deletions and depreciation expense. See Note 8 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2016, the School District had an outstanding loan in the amount of \$15,576. See Note 13 to the basic financial statements for more detailed information related to the other long-term obligations.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brodie Merrill, Treasurer, Green Local School District, 4070 Gallia Pike, Franklin Furnace, Ohio 45629.

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Green Local School District
Statement of Net Position
June 30, 2016

| | Governmental Activities |
|--|----------------------------|
| ASSETS: | |
| Current Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,910,273 |
| Intergovernmental Receivable | 229,180 |
| Taxes Receivable | 2,179,263 |
| Noncurrent Assets: | |
| Non-Depreciable Capital Assets | 72,079 |
| Depreciable Capital Assets, net | 1,952,070 |
| <i>Total Assets</i> | 6,342,865 |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Pensions: | |
| State Teachers Retirement System | 612,310 |
| School Employees Retirement System | 244,926 |
| <i>Total Deferred Outflows of Resources</i> | 857,236 |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | 83,779 |
| Accrued Wages and Benefits Payable | 466,680 |
| Intergovernmental Payable | 84,263 |
| Non-Current Liabilities: | |
| Due Within One Year | 18,980 |
| Due in More Than One Year | |
| Net Pension Liability (See Note 10) | 7,532,657 |
| Other Amounts Due in More Than One Year | 252,850 |
| <i>Total Liabilities</i> | 8,439,209 |
| DEFERRED INFLOWS OF RESOURCES: | |
| Pensions: | |
| State Teachers Retirement System | 993,423 |
| School Employees Retirement System | 40,831 |
| Property Taxes not Levied to Finance Current Year Operations | 1,738,129 |
| <i>Total Deferred Inflows of Resources</i> | 2,772,383 |
| NET POSITION: | |
| Net Investment in Capital Assets | 2,008,573 |
| Restricted for Other Purposes | 30,464 |
| Restricted for Set Asides | 145,910 |
| Unrestricted | (6,196,438) |
| <i>Total Net Position</i> | \$ (4,011,491) |

The notes to the basic financial statements are an integral part of this statement.

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

| | Expenses | Program Revenues | | Net (Expense) |
|---|---------------------|--------------------------------|------------------------------------|-------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Revenue and Changes in Net Position |
| | | | | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 2,727,860 | \$ 178,481 | \$ 147,429 | \$ (2,401,950) |
| Special | 873,790 | 36,403 | 680,377 | (157,010) |
| Vocational | 9,468 | 226 | 3,888 | (5,354) |
| Other | 1,162,116 | 83,408 | - | (1,078,708) |
| Support Services: | | | | |
| Pupils | 225,257 | 16,463 | - | (208,794) |
| Instructional Staff | 184,753 | 13,469 | 415 | (170,869) |
| Board of Education | 116,065 | 8,482 | 1,271 | (106,312) |
| Administration | 530,336 | 38,649 | - | (491,687) |
| Fiscal | 266,552 | 19,481 | - | (247,071) |
| Operation and Maintenance of Plant | 600,781 | 71,344 | 2,110 | (527,327) |
| Pupil Transportation | 451,334 | 29,293 | 34,151 | (387,890) |
| Operation of Non-Instructional Services | 227,524 | 1,896 | 181,329 | (44,299) |
| Extracurricular Activities | 158,022 | 57,074 | 61,873 | (39,075) |
| Interest and Fiscal Charges | 694 | 51 | - | (643) |
| Total Governmental Activities | \$ 7,534,552 | \$ 554,720 | \$ 1,112,843 | (\$5,866,989) |
| General Revenues: | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 1,941,883 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 4,572,561 |
| Gifts and Donations not Restricted to Specific Programs | | | | 1,496 |
| Investment Earnings | | | | 1,366 |
| Payments in Lieu of Taxes | | | | 104,400 |
| Miscellaneous | | | | 114,964 |
| Total General Revenues | | | | 6,736,670 |
| Change in Net Position | | | | 869,681 |
| Net Position Beginning of Year | | | | (4,881,172) |
| Net Position End of Year | | | | \$ (4,011,491) |

The notes to the basic financial statements are an integral part of this statement.

Green Local School District
Balance Sheet
Governmental Funds
June 30, 2016

| | <u>General Fund</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|
| ASSETS: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,754,269 | \$ 10,094 | \$ 1,764,363 |
| Interfund Receivable | 28,049 | - | 28,049 |
| Intergovernmental Receivable | 122,384 | 106,796 | 229,180 |
| Taxes Receivable | 2,179,263 | - | 2,179,263 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>145,910</u> | <u>-</u> | <u>145,910</u> |
| <i>Total Assets</i> | <u>\$ 4,229,875</u> | <u>\$ 116,890</u> | <u>\$ 4,346,765</u> |
| LIABILITIES: | | | |
| Accounts Payable | \$ 81,224 | \$ 2,555 | \$ 83,779 |
| Accrued Wages and Benefits | 386,607 | 80,073 | 466,680 |
| Interfund Payable | - | 28,049 | 28,049 |
| Intergovernmental Payable | <u>78,329</u> | <u>5,934</u> | <u>84,263</u> |
| <i>Total Liabilities</i> | <u>546,160</u> | <u>116,611</u> | <u>662,771</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Property Taxes not Levied to Finance Current Year Operations | 1,738,129 | - | 1,738,129 |
| Unavailable Revenue - Delinquent Taxes | 275,802 | - | 275,802 |
| Unavailable Revenue - Grants | <u>38,613</u> | <u>12,678</u> | <u>51,291</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>2,052,544</u> | <u>12,678</u> | <u>2,065,222</u> |
| FUND BALANCES: | | | |
| Restricted | 145,910 | 20,893 | 166,803 |
| Committed | 100,379 | - | 100,379 |
| Assigned | 217,283 | - | 217,283 |
| Unassigned | <u>1,167,599</u> | <u>(33,292)</u> | <u>1,134,307</u> |
| <i>Total Fund Balances</i> | <u>1,631,171</u> | <u>(12,399)</u> | <u>1,618,772</u> |
| <i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | <u>\$ 4,229,875</u> | <u>\$ 116,890</u> | <u>\$ 4,346,765</u> |

The notes to the basic financial statements are an integral part of this statement.

Green Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2016*

| | | |
|--|-------------|-----------------------|
| Total Governmental Fund Balances | | \$1,618,772 |
| 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. | | 2,024,149 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | |
| Taxes | 275,802 | |
| Intergovernmental | 51,291 | |
| Total | 327,093 | 327,093 |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | 857,236 | |
| Deferred inflows of resources related to pensions | (1,034,254) | |
| Net Pension Liability | (7,532,657) | (7,709,675) |
| Long-term liabilities, including a loan and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated Absences | (256,254) | |
| Loan | (15,576) | |
| Total | (271,830) | (271,830) |
| Net Position of Governmental Activities | | \$ (4,011,491) |

The notes to the basic financial statements are an integral part of this statement.

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

| | General Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------------------|--------------------------------|
| REVENUES: | | | |
| Property Taxes | \$ 1,931,315 | \$ - | \$ 1,931,315 |
| Intergovernmental | 4,874,718 | 759,396 | 5,634,114 |
| Interest | 1,366 | - | 1,366 |
| Tuition and Fees | 463,933 | - | 463,933 |
| Extracurricular Activities | 11,380 | 50,870 | 62,250 |
| Gifts and Donations | 1,496 | - | 1,496 |
| Customer Sales and Services | - | 28,536 | 28,536 |
| Payments in Lieu of Taxes | 104,400 | - | 104,400 |
| Miscellaneous | 114,964 | - | 114,964 |
| <i>Total Revenues</i> | <u>7,503,572</u> | <u>838,802</u> | <u>8,342,374</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 2,510,929 | 161,163 | 2,672,092 |
| Special | 523,568 | 373,920 | 897,488 |
| Vocational | 3,086 | - | 3,086 |
| Other | 1,141,271 | - | 1,141,271 |
| Support Services: | | | |
| Pupils | 235,115 | - | 235,115 |
| Instructional Staff | 183,055 | 454 | 183,509 |
| Board of Education | 115,732 | - | 115,732 |
| Administration | 549,478 | 1,389 | 550,867 |
| Fiscal | 264,737 | - | 264,737 |
| Operation and Maintenance of Plant | 578,556 | 2,306 | 580,862 |
| Pupil Transportation | 391,694 | 37,324 | 429,018 |
| Operation of Non-Instructional Services | 22,907 | 197,908 | 220,815 |
| Extracurricular Activities | 84,938 | 67,621 | 152,559 |
| Capital Outlay | 69,526 | 15,922 | 85,448 |
| Debt Service: | | | |
| Principal | 38,753 | - | 38,753 |
| Interest | 694 | - | 694 |
| <i>Total Expenditures</i> | <u>6,714,039</u> | <u>858,007</u> | <u>7,572,046</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>789,533</u> | <u>(19,205)</u> | <u>770,328</u> |
| OTHER FINANCING SOURCES AND (USES): | | | |
| Transfers In | - | 5,203 | 5,203 |
| Transfers Out | (5,203) | - | (5,203) |
| Proceeds from Sale of Capital Assets | 2,755 | - | 2,755 |
| Proceeds from Loans Issued | 15,840 | - | 15,840 |
| <i>Total Other Financing Sources and (Uses)</i> | <u>13,392</u> | <u>5,203</u> | <u>18,595</u> |
| <i>Net Change in Fund Balances</i> | 802,925 | (14,002) | 788,923 |
| <i>Fund Balance at Beginning of Year</i> | <u>828,246</u> | <u>1,603</u> | <u>829,849</u> |
| <i>Fund Balance at End of Year</i> | <u>\$ 1,631,171</u> | <u>\$ (12,399)</u> | <u>\$ 1,618,772</u> |

The notes to the basic financial statements are an integral part of this statement.

Green Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds \$788,923

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

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

| | | |
|---------------------------|-----------|----------|
| Capital Asset Additions | 88,229 | |
| Current Year Depreciation | (184,706) | |
| Total | (96,477) | (96,477) |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the proceed from sale of capital assets and the loss from the disposal of capital assets.

| | | |
|--------------------------------------|---------|---------|
| Proceeds from Sale of Capital Assets | (2,755) | |
| Loss on Disposal of Capital Assets | (5,163) | |
| Total | (7,918) | (7,918) |

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

| | | |
|-------------------|--------|--------|
| Taxes | 10,568 | |
| Intergovernmental | 51,291 | |
| Total | 61,859 | 61,859 |

Proceeds from the issuance of loan in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (15,840)

Repayment of energy conservation notes and loans are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 38,753

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 419,204

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (300,253)

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.

| | | |
|----------------------------------|----------|----------|
| Increase in Compensated Absences | (18,570) | |
| Total | (18,570) | (18,570) |

Net Change in Net Position of Governmental Activities \$869,681

The notes to the basic financial statements are an integral part of this statement.

Green Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget: Positive (Negative) |
|---|-------------------------|---------------------|---------------------|--|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Total Revenues and Other Financing Sources | \$ 7,206,800 | \$ 7,535,171 | \$ 7,535,171 | \$ - |
| Total Expenditures and Other Financing Uses | <u>7,512,807</u> | <u>7,124,269</u> | <u>7,124,269</u> | <u>-</u> |
| Net Change in Fund Balance | (306,007) | 410,902 | 410,902 | - |
| Fund Balance, July 1, 2015 | 803,379 | 803,379 | 803,379 | - |
| Prior Year Encumbrances Appropriated | <u>322,762</u> | <u>322,762</u> | <u>322,762</u> | <u>-</u> |
| Fund Balance, June 30, 2016 | <u>\$ 820,134</u> | <u>\$ 1,537,043</u> | <u>\$ 1,537,043</u> | <u>\$ -</u> |

The notes to the basic financial statements are an integral part of this statement.

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

| | <u>Private Purpose Trust Fund</u> | <u>Agency Fund</u> |
|--|---|--------------------|
| ASSETS: | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 4,273</u> | <u>\$ 10,087</u> |
| LIABILITIES: | | |
| Undistributed Monies | <u>-</u> | <u>\$ 10,087</u> |
| NET POSITION: | | |
| Held in Trust for Scholarships | <u>4,273</u> | |
| <i>Total Net Position</i> | <u>\$ 4,273</u> | |

The notes to the basic financial statements are an integral part of this statement.

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

| | <u>Private Purpose Trust Fund</u> |
|--|---|
| ADDITIONS: | |
| Gifts and Contributions | <u>\$ 2,273</u> |
| <i>Total Additions</i> | 2,273 |
| DEDUCTIONS: | |
| Payments in Accordance with Trust Agreements | <u>6,500</u> |
| Change in Net Position | (4,227) |
| <i>Net Position Beginning of Year</i> | <u>8,500</u> |
| <i>Net Position End of Year</i> | <u><u>\$ 4,273</u></u> |

The notes to the basic financial statements are an integral part of this statement.

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Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1926 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 36 square miles. It is located in Scioto County, and includes all of Green Township. It is staffed by 28 non-certificated employees and 47 certificated full-time teaching personnel who provide services to 596 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one maintenance building.

Reporting Entity:

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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Green Local School District, this includes general operations, food service, and student related activities of the School District.

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

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District:

- * Boosters Clubs
- * Parent Teacher Organizations

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association Council of Governments (SCOCA COG), the Scioto County Career Technical Center, the Coalition of Rural and Appalachian Schools, the Southern Ohio Academy, the Optimal Health Initiatives Consortium, and the Ohio SchoolComp Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

B. Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

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

General Fund

The General Fund is the general operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds consist of a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's college scholarship donations and student managed activities.

Measurement Focus

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the presentation of expenses versus expenditures, the recording of deferred inflows/outflows of resources related to delinquent taxes and pensions and the recording of net pension liabilities.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate in effect when the final appropriations for the fiscal year were passed.

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

D. Cash and Cash Equivalents

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

During fiscal year 2016, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAROhio) and a Money Market Account. STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2016 amounted to \$1,366 for the General Fund.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. The School District's certificates of deposit are reported on the financial statements as equity in pooled cash and cash equivalents.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not capitalize interest for capital asset purchases.

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

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Land Improvements | 15-40 years |
| Buildings and Improvements | 10-40 years |
| Furniture and Equipment | 5-20 years |
| Vehicles | 4-8 years |
| Textbooks | 7 years |

F. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future.

The accrual amount is based upon accumulated sick leave and accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy.

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

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

G. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

J. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consist 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, instruction, support services, and extracurricular activities.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Of the School District's \$176,374 in restricted net position, none is restricted by enabling legislation.

K. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets included amounts required by statute to be set-aside by the School District for capital acquisition. See Note 16 for additional information regarding set-asides.

L. Interfund Transactions

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

M. Pensions

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

NOTE 3 – ACCOUNTABILITY

At June 30, 2016, the Lunchroom, Title VI-B, and the Title II-A Special Revenue Funds had fund balance deficits of \$32,936, \$251, and \$105, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance for governmental fund types (GAAP basis); and

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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

| Net Change in Fund Balance | |
|--|--------------------------|
| GAAP Basis | \$ 802,925 |
| Revenue Accruals | 25,880 |
| Expenditure Accruals | (177,007) |
| Perspective Difference: | |
| Activity of Funds Reclassed for GAAP Reporting Purposes | 9,551 |
| Encumbrances | <u>(250,447)</u> |
| Budget Basis | <u><u>\$ 410,902</u></u> |

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2016, the School District's bank balance of \$1,857,375 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments The School District's investments in STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

| <u>Measurement/Investment</u> | <u>Measurement Amount</u> | <u>Maturity</u> |
|-------------------------------|-------------------------------|-----------------|
| Fair Value Money Market | \$ 4,328 | < 1 Year |
| Cost STAROhio | 71,792 | < 30 days |
| | <u>\$ 76,120</u> | |

The School District categorizes 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 chart identifies the School District's recurring fair value measurements as of June 30, 2016. The School District's investment measured at fair value is valued using quoted market prices (Level 1 inputs).

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Although the School District does not have an investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits their investments to STAROhio and a Money Market account. Investments in STAR Ohio and the Money Market account were rated AAAM by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does have an investment policy which allows investments as outlined in the sections of Chapter 135 of the Ohio Revised Code, at a price not exceeding their fair market value. The School District has invested 6 percent in Money Markets and 94 percent in STAROhio.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2016 taxes were collected are:

| | 2015 Second- Half Collections | | 2016 First- Half Collections | |
|---|----------------------------------|---------|---------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 62,560,660 | 85.54% | \$ 64,208,820 | 84.42% |
| Public Utility | 10,578,960 | 14.46% | 11,846,980 | 15.58% |
| Total Assessed Value | \$ 73,139,620 | 100.00% | \$ 76,055,800 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$ 32.07 | | \$ 31.57 | |

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2016, was \$165,332 in the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016, consisted of taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|---|------------|
| General Fund | \$ 122,384 |
| Non-Major Special Revenue Funds: | |
| Lunch Room | 13,655 |
| Early Childhood Education | 34,273 |
| High Schools That Work | 2,796 |
| Title VI-B | 13,279 |
| Title I | 35,871 |
| Title II-A | 6,922 |
| Total Non-Major Special Revenue Funds | 106,796 |
| Total All Funds/Governmental Activities | \$ 229,180 |

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

| | Ending Balance <u>6/30/2015</u> | <u>Additions</u> | <u>Deletions</u> | Ending Balance <u>6/30/2016</u> |
|--|------------------------------------|--------------------|-------------------|------------------------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 72,079 | \$ - | \$ - | \$ 72,079 |
| Total Capital Assets, Not Being Depreciated | <u>72,079</u> | <u>-</u> | <u>-</u> | <u>72,079</u> |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 381,265 | - | - | 381,265 |
| Buildings and Improvements | 5,017,664 | 11,800 | - | 5,029,464 |
| Furniture and Equipment | 1,769,254 | 76,429 | (57,651) | 1,788,032 |
| Vehicles | 627,435 | - | (80,719) | 546,716 |
| Textbooks | 470,963 | - | - | 470,963 |
| Total Capital Assets, Being Depreciated | <u>8,266,581</u> | <u>88,229</u> | <u>(138,370)</u> | <u>8,216,440</u> |
| Less Accumulated Depreciation | | | | |
| Land Improvements | (267,214) | (7,224) | - | (274,438) |
| Buildings and Improvements | (3,764,440) | (66,668) | - | (3,831,108) |
| Furniture and Equipment | (1,285,698) | (100,304) | 56,205 | (1,329,797) |
| Vehicles | (470,369) | (9,846) | 74,247 | (405,968) |
| Textbooks | (422,395) | (664) | - | (423,059) |
| Total Accumulated Depreciation | <u>(6,210,116)</u> | <u>(184,706)</u> | <u>130,452</u> | <u>(6,264,370)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>2,056,465</u> | <u>(96,477)</u> | <u>(7,918)</u> | <u>1,952,070</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 2,128,544</u> | <u>\$ (96,477)</u> | <u>\$ (7,918)</u> | <u>\$ 2,024,149</u> |

Depreciation expense was charged to government functions as follows:

| | |
|---|-------------------|
| Regular Instruction | \$ 122,790 |
| Special Instruction | 281 |
| Vocational Instruction | 6,382 |
| Other Instruction | 20,845 |
| S.S. Administration | 122 |
| S.S. Operation and Maintenance of Plant | 15,524 |
| S.S. Pupil Transportation | 9,846 |
| Operation of Non-Instructional Services | 3,405 |
| Extracurricular Activities | 5,511 |
| | <u>\$ 184,706</u> |

The School District's capital assets reported above include \$4,129,355 in fully depreciated assets that are still owned or being utilized by the School District.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with Governmental Underwriters of America for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided are as follows:

| | |
|--|--------------|
| Building and Contents-replacement cost (\$1,000 deductible, EDP \$500 deductible) | \$22,557,309 |
| AV/Music/Miscellaneous (\$500 deductible) | 100,000 each |
| Automobile Liability | 1,000,000 |
| Uninsured Motorists | 1,000,000 |
| General Liability | |
| Per occurrence | 1,000,000 |
| Total per year | 3,000,000 |

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

The School District participates in the Optimal Health Initiatives Consortium (the “Consortium”), a public entity shared risk pool (Note 15), consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District’s behalf.

For fiscal year 2016, the School District participated in the Ohio SchoolComp Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability (continued)

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire allocation was allocated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2016.

The School District's contractually required contribution to SERS was \$106,059 for fiscal year 2016. Of this amount \$9,828 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan 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.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$313,145 for fiscal year 2016. Of this amount \$48,896 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2016 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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|---------------------|--------------|
| Proportion of the Net Pension Liability Prior Measurement Date | 0.02499800% | 0.02401380% | |
| Proportion of the Net Pension Liability Current Measurement Date | <u>0.0265039%</u> | <u>0.02178349%</u> | |
| Change in Proportionate Share | <u>0.0015059%</u> | <u>-0.00223031%</u> | |
| | | | |
| Proportionate Share of the Net Pension Liability - Current Measurement Date | \$1,512,338 | \$6,020,319 | \$7,532,657 |
| Pension Expense | \$147,664 | \$152,589 | \$300,253 |

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

| Deferred Outflows of Resources | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|------------------|------------------|--------------------|
| Differences between expected and actual economic experience | \$23,867 | \$274,450 | \$298,317 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | 62,203 | - | 62,203 |
| School District contributions subsequent to the measurement date | <u>158,856</u> | <u>337,860</u> | <u>496,716</u> |
| Total | <u>\$244,926</u> | <u>\$612,310</u> | <u>\$857,236</u> |
| | | | |
| Deferred Inflows of Resources | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| Differences between projected and actual investment earnings | \$40,831 | \$432,975 | \$473,806 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | <u>0</u> | <u>560,448</u> | <u>560,448</u> |
| Total | <u>\$40,831</u> | <u>\$993,423</u> | <u>\$1,034,254</u> |

\$496,716 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|-----------------|--------------------|--------------------|
| 2017 | \$4,833 | (\$240,369) | (\$235,536) |
| 2018 | 4,833 | (240,369) | (235,536) |
| 2019 | 4,726 | (240,367) | (235,641) |
| 2020 | <u>30,847</u> | <u>2,132</u> | <u>32,979</u> |
| Total | <u>\$45,239</u> | <u>(\$718,973)</u> | <u>(\$673,734)</u> |

Actuarial Assumptions - SERS

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

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

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

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 | 3.00 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 Estate | 10.00 | 5.00 |
| Hedge Funds | 15.00 | 7.50 |
| Total | <u>100.00 %</u> | |

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

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$2,097,070 | \$1,512,338 | \$1,019,946 |

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 is not known, the impact to 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.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | 10 Year Expected Nominal Rate of Return* |
|----------------------|----------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | |

* 10 year annualized geometric nominal returns include the real rate return and inflation of 2.5 percent.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

| | 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|--------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$8,362,678 | \$6,020,319 | \$4,039,506 |

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2016, none of the members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$24,728 respectively, which equaled the required contributions each year.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. At June 30, 2016, 2015, and 2014, the health care allocations were 0 percent, 0.82 percent, and 0.14 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. 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 minimum compensation level was established at \$23,000.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$12,727, \$23,294, and \$13,822, respectively, which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for classified personnel and 275 days for certified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56.5 days for classified and 61 days for certified personnel.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Core Source, Inc.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 13 - LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2016 were as follows:

| | Principal Outstanding 06/30/15 | Additions | Deductions | Principal Outstanding 06/30/16 | Due in One Year |
|-----------------------------|--------------------------------------|-------------------|-------------------|--------------------------------------|--------------------|
| Compensated Absences | \$ 237,684 | \$ 324,846 | \$ 306,276 | \$ 256,254 | \$ 15,812 |
| Net Pension Liability: | | | | | |
| STRS | 5,840,987 | 179,332 | - | 6,020,319 | - |
| SERS | 1,265,135 | 247,203 | - | 1,512,338 | - |
| Total Net Pension Liability | <u>7,106,122</u> | <u>426,535</u> | <u>-</u> | <u>7,532,657</u> | <u>-</u> |
| Energy Conservation Notes | 38,489 | - | 38,489 | - | - |
| Loan | <u>-</u> | <u>15,840</u> | <u>264</u> | <u>15,576</u> | <u>3,168</u> |
| Total Long-Term Obligations | <u>\$ 7,382,295</u> | <u>\$ 767,221</u> | <u>\$ 345,029</u> | <u>\$ 7,804,487</u> | <u>\$ 18,980</u> |

Compensated absences will be paid from the fund in which the employees' salaries are paid, with the most significant fund being the General Fund.

On September 15, 2010, the School District issued Energy Conservation Notes in the amount of \$182,961. The notes were issued at an interest rate of 2.593% and were paid in full in September 2015. The notes were paid from the General Fund.

In May 2016, the School District signed a loan in the amount of \$15,840 for the purchase of a mower. The loan was issued at a 0% interest rate with a final payment due in 2021. The loan is being paid from the General Fund.

The School District's overall legal debt margin was \$6,845,022 with an unvoted debt margin of \$76,056 at June 30, 2016.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 13 - LONG-TERM LIABILITIES (continued)

Principal and interest requirements to retire loans outstanding at June 30, 2016 are as follows:

| Fiscal Year Ending June 30, | Principal |
|-----------------------------------|------------------------|
| 2017 | \$3,168 |
| 2018 | 3,168 |
| 2019 | 3,168 |
| 2020 | 3,168 |
| 2021 | 2,904 |
| Total | <u><u>\$15,576</u></u> |

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Council of Governments - The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, 2 private schools and public libraries from 23 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. During fiscal year 2016, SCOCA COG entered into a merger agreement with Metropolitan Educational Technology Association (“META”). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCA COG, and once these remaining liabilities are satisfied, SCOCA COG will be dissolved and the member districts will become members of META. SCOCA COG entered into a subcontract agreement with META to provide services to SCOCA COG, and on behalf of SCOCA COG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCA COG is currently governed by a four person executive governing board. The School District paid SCOCA COG \$54,163 for services provided during the fiscal year.

Scioto County Career Technical Center - The Scioto County Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the City and County Boards within Scioto County, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Career Technical Center, Brett Butler, who serves as Treasurer, at 951 Vern Riffe Drive, Lucasville, Ohio 45648.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District did not utilize the services of the Coalition during the year.

NOTE 15 - PUBLIC ENTITY SHARED RISK POOL AND INSURANCE PURCHASING POOL

Southern Ohio Academy - The School District is a participant in the Southern Ohio Academy, a jointly governed, non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from Bloom Vernon, Clay, Green, Manchester, Minford, Northwest, Oak Hill, Valley, Washington Nile, and Wheelersburg school districts. Because ORC requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

Optimal Health Initiatives Consortium

The School District is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economies of scale to create cost-savings. The Council's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

Ohio SchoolComp Workers' Compensation Group Rating Plan

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

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

| | Capital Acquisition |
|---|------------------------|
| Set-aside Reserve Balance as of June 30, 2015 | \$ 143,347 |
| Current Year Set-aside Requirement | 102,366 |
| Current Year Qualifying Expenditures | (99,803) |
| Set-aside Reserve Balance as of June 30, 2016 | \$ 145,910 |

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

C. Foundation

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 district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 18 – INTERFUND ACTIVITY

Interfund Advances

Interfund balances at June 30, 2016, consists of the following individual fund receivables and payables, which are expected to be repaid during the 2017 fiscal year:

| Interfund Loans | Receivable | Payable |
|--------------------------------------|------------|----------|
| General Fund | \$28,049 | \$0 |
| Non-major Special Revenue Fund: | | |
| Lunchroom | 0 | 28,049 |
| Total Non-major Special Revenue Fund | 0 | 28,049 |
| Total Interfund Receivables/Payables | \$28,049 | \$28,049 |

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 18 – INTERFUND ACTIVITY (continued)

Transfers

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. In 2016, the General fund transferred monies to the Lunchroom Fund in the amount of \$5,203.

NOTE 19 – FUND BALANCES

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

| Fund Balances | General | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------|---------------------|-----------------------------------|--------------------------------|
| Restricted for | | | |
| Other Purposes | \$ - | \$ 20,893 | \$ 20,893 |
| Capital Maintenance | 145,910 | - | 145,910 |
| Total Restricted | <u>145,910</u> | <u>20,893</u> | <u>166,803</u> |
| Committed to | | | |
| Termination Benefits | 100,379 | - | 100,379 |
| Total Committed | <u>100,379</u> | <u>-</u> | <u>100,379</u> |
| Assigned to | | | |
| Other Purposes | 217,283 | - | 217,283 |
| | <u>217,283</u> | <u>-</u> | <u>217,283</u> |
| Unassigned (Deficit) | <u>1,167,599</u> | <u>(33,292)</u> | <u>1,134,307</u> |
| Total Fund Balances | <u>\$ 1,631,171</u> | <u>\$ (12,399)</u> | <u>\$ 1,618,772</u> |

NOTE 20 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2016, the School 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. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

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 School District.

Green Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 20 – NEW ACCOUNTING PRINCIPLES (continued)

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 School 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. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The School District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 21 – ENCUMBRANCE COMMITMENTS

At June 30, 2016, the School District had significant encumbrance commitments in governmental funds as follows:

| <u>Fund</u> | <u>Amount</u> |
|-------------------------|-------------------------|
| Major Fund: | |
| General | \$250,447 |
| Non-Major Funds: | |
| Athletics | 5,237 |
| Public School Preschool | 11,884 |
| Voc Ed Enhancements | 1,711 |
| Total Non-Major Funds | <u>18,832</u> |
| Total Encumbrances | <u><u>\$269,279</u></u> |

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|-----------------------|
| Total plan pension liability | \$ 18,503,280,961 | \$ 17,881,827,171 | \$ 17,247,161,078 |
| Plan net position | <u>12,797,184,030</u> | <u>12,820,884,107</u> | <u>11,300,482,029</u> |
| Net pension liability | 5,706,096,931 | 5,060,943,064 | 5,946,679,049 |
| School District's proportion of the net pension liability | 0.0265039% | 0.024998% | 0.024998% |
| School District's proportionate share of the net pension liability | \$ 1,512,338 | \$ 1,265,135 | \$ 1,486,551 |
| School District's covered-employee payroll | \$ 797,883 | \$ 726,400 | \$ 865,434 |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 189.50% | 174.20% | 171.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.16% | 71.70% | 65.50% |

(1) Information prior to 2014 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|-----------------------|
| Total plan pension liability | \$ 99,014,653,744 | \$ 96,167,057,104 | \$ 94,366,693,720 |
| Plan net position | <u>71,377,578,736</u> | <u>71,843,596,331</u> | <u>65,392,746,348</u> |
| Net pension liability | 27,637,075,008 | 24,323,460,773 | 28,973,947,372 |
| School District's proportion of the net pension liability | 0.02178349% | 0.02401380% | 0.02401380% |
| School District's proportionate share of the net pension liability | \$ 6,020,319 | \$ 5,840,987 | \$ 6,957,746 |
| School District's covered-employee payroll | \$ 2,272,743 | \$ 2,453,623 | \$ 2,601,546 |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 264.90% | 238.10% | 267.40% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.09% | 74.71% | 69.30% |

(1) Information prior to 2014 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Green Local School District
Required Supplementary Information
Schedule of School 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 | \$ 106,059 | \$ 105,161 | \$ 100,679 | \$ 119,776 | \$ 137,280 | \$ 118,194 | \$ 121,833 | \$ 75,275 | \$ 103,411 | \$ 105,119 |
| Contributions in relation to the contractually required contribution | (106,059) | (105,161) | (100,679) | (119,776) | (137,280) | (118,194) | (121,833) | (75,275) | (103,411) | (105,119) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| School District's covered-employee payroll | \$ 757,564 | \$ 797,883 | \$ 726,400 | \$ 865,434 | \$ 1,020,669 | \$ 940,286 | \$ 899,801 | \$ 764,990 | \$ 1,053,065 | \$ 984,260 |
| 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% |

Green Local School District
Required Supplementary Information
Schedule of School 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 | \$ 313,145 | \$ 318,184 | \$ 318,971 | \$ 338,201 | \$ 310,389 | \$ 321,869 | \$ 330,277 | \$ 348,268 | \$ 352,635 | \$ 348,464 |
| Contributions in relation to the contractually required contribution | (313,145) | (318,184) | (318,971) | (338,201) | (310,389) | (321,869) | (330,277) | (348,268) | (352,635) | (348,464) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| School District's covered-employee payroll | \$ 2,236,750 | \$ 2,272,743 | \$ 2,453,623 | \$ 2,601,546 | \$ 2,387,608 | \$ 2,475,915 | \$ 2,540,592 | \$ 2,678,985 | \$ 2,712,577 | \$ 2,680,492 |
| 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% |



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

Green Local School District
Scioto County
4070 Gallia Pike
Franklin Furnace, Ohio 45629

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Green Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 22, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

May 22, 2017



Dave Yost • Auditor of State

GREEN LOCAL SCHOOL DISTRICT

SCIOTO 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 6, 2017**