



Dave Yost · Auditor of State

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY
JUNE 30, 2016 AND 2015**

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**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY
JUNE 30, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Russia Local School District, Shelby County, Ohio (the School District), as of and for the fiscal years ended June 30, 2016 and 2015, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Russia Local School District, Shelby County, Ohio, as of June 30, 2016 and 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 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

September 21, 2017

Russia Local School District
Shelby County
Statement of Net Position - Cash Basis
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,148,546</u>
 Net Position	
Restricted for:	
Capital Projects	\$272,910
Debt Service	1,218,743
Other Purposes	157,478
Unrestricted	<u>2,499,415</u>
 <i>Total Net Position</i>	<u>\$4,148,546</u>

See accompanying notes to the basic financial statements

Russia Local School District
Shelby County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016

				Net (Disbursements) Receipts and Changes in Net Position
	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$2,117,202	\$439,415	\$19,204	(\$1,658,583)
Special	486,710	-	281,290	(205,420)
Student Intervention Services	7,786	-	-	(7,786)
Support Services:				
Pupil	75,996	3,120	100	(72,776)
Instructional Staff	28,304	-	7,165	(21,139)
Board of Education	7,814	-	-	(7,814)
Administration	344,024	-	-	(344,024)
Fiscal	159,125	-	-	(159,125)
Business	465	-	-	(465)
Operation and Maintenance of Plant	309,017	-	-	(309,017)
Pupil Transportation	156,329	2,500	5,189	(148,640)
Central	82,043	-	25,553	(56,490)
Operation of Non-Instructional Services	146,726	109,192	27,268	(10,266)
Extracurricular Activities	201,563	67,501	10,807	(123,255)
Principal Retirement	235,000	-	-	(235,000)
Interest and Fiscal Charges	179,785	-	-	(179,785)
<i>Total Governmental Activities</i>	\$4,537,889	\$621,728	\$376,576	(3,539,585)
General Receipts				
Property Taxes Levied for:				
General Purposes				997,552
Debt Service				406,198
Other Purposes				18,237
Income Taxes Levied for General Purposes				423,519
Grants and Entitlements not Restricted to Specific Programs				2,464,068
Gifts and Donations not Restricted to Specific Programs				2,873
Interest				413
Miscellaneous				48,581
<i>Total General Cash Receipts</i>				4,361,441
Change in Net Position				821,856
<i>Net Position Beginning of Year</i>				3,326,690
<i>Net Position End of Year</i>				\$4,148,546

See accompanying notes to the basic financial statements

Russia Local School District

Shelby County

Statement of Assets and Fund Balances - Cash Basis

Governmental Funds

June 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,499,415	\$1,218,743	\$430,388	\$4,148,546
<i>Total Assets</i>	<u>\$2,499,415</u>	<u>\$1,218,743</u>	<u>\$430,388</u>	<u>\$4,148,546</u>
Fund Balances				
Restricted	\$0	\$1,218,743	\$430,388	\$1,649,131
Assigned	573,729	-	-	573,729
Unassigned	<u>1,925,686</u>	<u>-</u>	<u>-</u>	<u>1,925,686</u>
<i>Total Fund Balances</i>	<u>\$2,499,415</u>	<u>\$1,218,743</u>	<u>\$430,388</u>	<u>\$4,148,546</u>

See accompanying notes to the basic financial statements

Russia Local School District
Shelby County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$997,552	\$406,198	\$18,237	\$1,421,987
Income Taxes	423,519	-	-	423,519
Intergovernmental	2,549,444	85,945	192,288	2,827,677
Interest	413	-	-	413
Tuition and Fees	439,415	-	-	439,415
Rent	-	-	100	100
Extracurricular Activities	5,940	-	58,404	64,344
Contributions and Donations	5,033	-	10,807	15,840
Charges for Services	-	-	109,192	109,192
Miscellaneous	42,926	4,627	7,205	54,758
<i>Total Receipts</i>	<i>4,464,242</i>	<i>496,770</i>	<i>396,233</i>	<i>5,357,245</i>
Disbursements				
Current:				
Instruction:				
Regular	2,100,052	-	17,150	2,117,202
Special	388,071	-	98,639	486,710
Student Intervention Services	7,786	-	-	7,786
Support Services:				
Pupil	75,996	-	-	75,996
Instructional Staff	21,139	-	7,165	28,304
Board of Education	7,814	-	-	7,814
Administration	344,024	-	-	344,024
Fiscal	149,222	9,479	424	159,125
Business	465	-	-	465
Operation and Maintenance of Plant	298,550	-	10,467	309,017
Pupil Transportation	141,159	-	15,170	156,329
Central	56,490	-	25,553	82,043
Operation of Non-Instructional Services	8,327	-	138,399	146,726
Extracurricular Activities	123,950	-	77,613	201,563
Debt Service:				
Principal Retirement	-	235,000	-	235,000
Interest and Fiscal Charges	-	179,785	-	179,785
<i>Total Disbursements</i>	<i>3,723,045</i>	<i>424,264</i>	<i>390,580</i>	<i>4,537,889</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>741,197</i>	<i>72,506</i>	<i>5,653</i>	<i>819,356</i>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	2,500	-	-	2,500
Transfers In	-	-	200,000	200,000
Transfers Out	(200,000)	-	-	(200,000)
<i>Total Other Financing Sources (Uses)</i>	<i>(197,500)</i>	<i>-</i>	<i>200,000</i>	<i>2,500</i>
<i>Net Change in Fund Balances</i>	<i>543,697</i>	<i>72,506</i>	<i>205,653</i>	<i>821,856</i>
<i>Fund Balances Beginning of Year</i>	<i>1,955,718</i>	<i>1,146,237</i>	<i>224,735</i>	<i>3,326,690</i>
<i>Fund Balances End of Year</i>	<i>\$2,499,415</i>	<i>\$1,218,743</i>	<i>\$430,388</i>	<i>\$4,148,546</i>

See accompanying notes to the basic financial statements

Russia Local School District
Shelby County
*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budgetary Basis*
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$960,000	\$960,000	\$997,552	\$37,552
Income Taxes	350,000	350,000	423,519	73,519
Intergovernmental	2,537,500	2,537,500	2,549,444	11,944
Interest	250	250	413	163
Tuition and Fees	341,500	341,500	439,415	97,915
Extracurricular Activities	5,650	5,650	3,316	(2,334)
Contributions and Donations	1,900	1,900	2,873	973
Miscellaneous	21,200	24,188	16,147	(8,041)
Total Receipts	<u>4,218,000</u>	<u>4,220,988</u>	<u>4,432,679</u>	<u>211,691</u>
Disbursements				
Current:				
Instruction:				
Regular	2,242,850	2,245,838	2,098,346	147,492
Special	474,050	474,050	388,071	85,979
Student Intervention Services	11,200	11,200	7,786	3,414
Support Services:				
Pupils	83,600	83,600	73,523	10,077
Instructional Staff	38,700	38,700	21,139	17,561
Board of Education	8,130	8,130	7,814	316
Administration	377,300	377,300	344,049	33,251
Fiscal	162,800	162,800	150,621	12,179
Business	1,000	1,000	465	535
Operation and Maintenance of Plant	372,458	372,458	317,648	54,810
Pupil Transportation	164,434	164,434	147,224	17,210
Central	88,360	88,360	56,610	31,750
Operation of Non-Instructional Services	7,000	9,500	8,227	1,273
Extracurricular Activities	<u>153,600</u>	<u>153,600</u>	<u>123,950</u>	<u>29,650</u>
Total Disbursements	<u>4,185,482</u>	<u>4,190,970</u>	<u>3,745,473</u>	<u>445,497</u>
Excess of Receipts Over (Under) Disbursements	<u>32,518</u>	<u>30,018</u>	<u>687,206</u>	<u>657,188</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	20,000	20,000	26,283	6,283
Proceeds from Sale of Capital Assets	-	-	2,500	2,500
Transfers Out	-	(200,000)	(200,000)	-
Other Financing Uses	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>	<u>800,000</u>
Total Other Financing Sources (Uses)	<u>(780,000)</u>	<u>(980,000)</u>	<u>(171,217)</u>	<u>808,783</u>
Net Change in Fund Balances	(747,482)	(949,982)	515,989	1,465,971
Fund Balance at Beginning of Year	1,926,753	1,926,753	1,926,753	-
Prior Year Encumbrances Appropriated	21,452	21,452	21,452	-
Fund Balance at End of Year	<u>\$1,200,723</u>	<u>\$998,223</u>	<u>\$2,464,194</u>	<u>\$1,465,971</u>

See accompanying notes to the basic financial statements

**Russia Local School District
Shelby County**

*Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2016*

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$8,276</u>	<u>\$24,309</u>
Liabilities		
Due to Students	<u>-</u>	<u>\$24,309</u>
Net Position		
Held in Trust for Scholarships	<u>8,276</u>	
Total Net Position	<u><u>\$8,276</u></u>	

See accompanying notes to the basic financial statements

Russia Local School District
Shelby County
Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 33,500
Miscellaneous	125
Total Additions	<hr/> <hr/> 33,625
Deductions	
Scholarships	<hr/> 32,195
Change in Net Position	1,430
Net Position - Beginning of Year	<hr/> 6,846
Net Position - End of Year	<hr/> <hr/> \$ 8,276

See accompanying notes to the basic financial statements

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

Note 1 - Reporting Entity

Russia 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 and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities is staffed by 20 non-certificated employees, 34 certificated teaching personnel and 3 administrative employees to provide services to 446 students. It currently operates one instructional building.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

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 Russia Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

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; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 1 - Reporting Entity (continued)

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization (WOCO)
Southwestern Ohio Educational Purchasing Council (SOEPC)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Midwest Regional Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and
Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 2 - Summary of Significant Accounting Policies (continued)

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs, which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities, which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The Board has established the legal level of control for the General Fund, Bond Retirement Debt Service Fund and Classroom Facilities Fund at the two-digit function level and at the fund level for all other funds. The Treasurer makes budgetary allocations at the function and object level within all funds.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or the Treasurer identifies decreases in receipts. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the Board passed final appropriations.

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2016, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 was \$413, which included \$167 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 2 - Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

For purposes of measuring the net pension liability, 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.

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net position

The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District 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, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any net position restricted by enabling legislation at June 30, 2016.

L. Fund Balance

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 2 - Summary of Significant Accounting Policies (continued)

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 classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

M. Interfund Transactions

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

N. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 543,697
Encumbrances	(28,507)
Perspective Differences	799
Budgetary Basis	\$ 515,989

Note 4 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim deposits 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 must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Russia Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 4 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any 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 or Ohio local governments;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 4 - Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$4,181,131. Cash balances per the bank were \$4,352,127. \$250,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2016, \$4,102,127 of the School District's bank balance of \$4,352,127 was exposed to custodial risk and was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name.

Investments

The School District did not have any investments at June 30, 2016.

Note 5 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

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

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 5 - Property Taxes (continued)

The School District receives property taxes from Shelby 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.

The assessed values upon which the 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	\$41,298,020	94.92%	\$50,233,250	95.35%
Public Utility Personal	2,210,960	5.08	2,452,350	4.65
Total	<u>\$43,508,980</u>	<u>100.00%</u>	<u>\$52,685,600</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	43.25		43.25	

Note 6 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 7 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

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Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 7 - Risk Management (continued)

Building and Contents (\$5,000 deductible)	\$22,159,604
Boiler and Machinery (\$3,500 deductible)	250,000,000
Flood & Earthquake per occurrence/aggregate	1,000,000
Cyber Liability/Identity Theft	1,000,000
Automobile Liability (per occurrence, \$1,000 deductible)	1,000,000
Money and Securities (per occurrence)	500,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$10,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000
Excess Liability – (occurrence/aggregate per district)	5,000,000

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

B. Workers' Compensation

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund).

For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent; 0 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$77,631 for fiscal year 2016.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 8 - Defined Benefit Pension Plans (continued)

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 increased 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. The member determines investment allocation decisions. 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, the member allocates member contributions among investment choices, 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.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. 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 was \$268,519 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,018,578	\$4,660,186	\$5,678,764
Proportion of the Net Pension Liability	0.017851%	0.0168621%	

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.

Russia Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

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

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

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

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

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Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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

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.

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.

**Russia Local School District
Shelby County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 8 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$1,412,402	\$1,018,578	\$686,946

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.

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

Asset Class	Target Allocation		Long Term Expected Real 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	%		

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 8 - Defined Benefit Pension Plans (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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$6,473,349	\$4,660,186	\$3,126,885

Note 9 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program.

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 9 – Postemployment Benefits (continued)

Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$9,123.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$9,123, \$15,780, and \$8,357, respectively. For fiscal year 2016, 0 percent has been contributed. The full amount has been contributed for fiscal years 2015 and 2014.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$18,178, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**Russia Local School District
Shelby County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 10 – Debt

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

	Amount			Amount	
	Outstanding 6/30/2015	Additions	Deletions	Outstanding 6/30/2016	Due in One Year
Govermental Activities					
School Improvement Refunding Bonds:					
Serial Bonds 4.0%	\$ 995,000	\$ -	\$ (180,000)	\$ 815,000	\$ 190,000
Term Bonds 4.0%, 4.2%	1,785,000	-	-	1,785,000	-
Capital Appreciation Bonds 4.25%, 4.33%	160,293	35,164	-	195,457	-
Total School Improvement Refunding Bonds	<u>2,940,293</u>	<u>35,164</u>	<u>(180,000)</u>	<u>2,795,457</u>	<u>190,000</u>
School Improvement Bonds:					
Term Bonds 1-4.6%	1,660,000	-	-	1,660,000	-
Capital Appreciation Bonds 2.85%, 3.15%	81,236	28,764	(55,000)	55,000	4,354
Total School Improvement Bonds	<u>1,741,236</u>	<u>28,764</u>	<u>(55,000)</u>	<u>1,715,000</u>	<u>4,354</u>
Total Debt	<u><u>\$4,681,529</u></u>	<u><u>\$63,928</u></u>	<u><u>(\$235,000)</u></u>	<u><u>\$4,510,457</u></u>	<u><u>\$194,354</u></u>

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). The capital appreciation bonds were accreted \$35,164 in fiscal year 2016.

On March 9, 2010, the School District issued a total of \$1,940,700 in School Improvement Bonds to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond proceeds were used to retire the bond anticipation notes which matured May 4, 2010. Of the \$1,940,700 in improvement bonds, \$1,930,000 is term bonds with interest rates ranging from 1% to 4.6% with the final maturity on December 1, 2037. The remaining \$10,700 is capital appreciation bonds (maturity amount of \$55,000 on December 1, 2015 and 2016). The term bonds are subject to mandatory sinking fund redemption. The capital appreciation bonds were accreted \$28,764 in fiscal year 2016.

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a “special needs district” in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code.

The School District was approved for “special needs district” status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 10 – Debt (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending	June 30,	Principal	Interest	Total
	2017	\$194,354	\$223,032	\$417,386
	2018	255,000	163,733	418,733
	2019	265,000	153,828	418,828
	2020	74,230	343,582	417,812
	2021	75,768	345,032	420,800
	2022-2026	1,490,000	579,208	2,069,208
	2027-2031	1,230,000	260,140	1,490,140
	2032-2036	490,000	109,272	599,272
	2037-2038	225,000	10,465	235,465
	Subtotal	<u>4,299,352</u>	<u>2,188,292</u>	<u>6,487,644</u>
	Accretion on Bonds	<u>211,105</u>	<u>(211,105)</u>	<u>-</u>
	Total	<u><u>\$4,510,457</u></u>	<u><u>\$1,977,187</u></u>	<u><u>\$6,487,644</u></u>

Note 11 – Fund Balance

Fund balance is classified as non-spendable, 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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other	Total
			Governmental Funds	Governmental Funds
Restricted for:				
Food Service Operations	\$ -	\$ -	\$ 33,229	\$ 33,229
Classroom Maintenance	- -	- -	109,379	109,379
Athletics	- -	- -	14,870	14,870
Capital Improvements	- -	- -	272,910	272,910
Debt Service	- 1,218,743	1,218,743	- -	1,218,743
Total Restricted	- 1,218,743	1,218,743	430,388	1,649,131
Assigned for:				
Unpaid Obligations	28,507	- -	- -	28,507
FY 17 Appropriations	539,780	- -	- -	539,780
Public School Support	5,442	- -	- -	5,442
Total Assigned	573,729	- -	- -	573,729
Unassigned	1,925,686	- -	- -	1,925,686
Total Fund Balance	\$ 2,499,415	\$ 1,218,743	\$ 430,388	\$ 4,148,546

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 12 – Set-Aside Requirements

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

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

	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	77,515
Prior Year Offset from Bond Proceeds	(44,820)
Current Year Offset - Classroom facilities maintenance levy	(32,695)
Total Set-aside Reserve Balance at June 30, 2016	\$0
Excess Available to Carry-Over to Subsequent Year	<u><u>\$0</u></u>

The District had current year offsets that reduced the capital improvements set-aside. During prior fiscal years, the District issued \$4,500,500 and \$1,940,700 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,614,997 at June 30, 2016.

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby 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 Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2016, the School District paid \$38,227 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 153 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2016, the School District paid \$26,728 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Midwest Regional Schools Consortium - The Midwest Regional Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience.

The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2016, Russia Local School District contributed \$348,747 from the General Fund. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2016, the School District paid \$26,263 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Note 14 – Contingent Liabilities

Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

Litigation

There are currently no matters in litigation with the School District as defendant.

Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. This resulted in a liability to the School District.

Note 15 – Interfund Transactions

The School District transferred \$200,000 from the General Fund to the Permanent Improvement Fund to fund future capital improvements.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)*

Note 16 – Change in Accounting Principles

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 72, “Fair Value Measurement and Application.”* This statement addresses accounting and financial reporting issues related to the fair value of investments. This statement had no effect on net position or fund balances. Additional disclosures required by the statement can be found in the notes to the financial statements.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board *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.”* This establishes requirements for defined benefit pension systems that are not within the scope of GASB Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statements 67 and 68. This statement had no effect on net position or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board *Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for state and Local Governments.”* This statement 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. This statement had no effect on net position or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board *Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.”* The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68. This statement had no effect on net position or fund balances

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board and *Statement No. 79, “Certain External Investment Pools and Pool Participants.”* This statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement had no effect on net position or fund balances.

Note 17 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2016, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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Russia Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

This discussion and analysis of the Russia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2015 are as follows:

Net position of governmental activities increased 6% or \$186,690 from prior year.

General receipts accounted for \$4,017,970 in receipts or 82 percent of all receipts. Program specific revenues in the form of charges for services and operating grants and contributions and interest accounted for \$911,750 or 18 percent of total revenues of \$4,929,720.

Income taxes decreased \$41,454 or 11% during 2015.

Among major funds, the General Fund had \$3,990,010 in receipts and \$3,844,576 in disbursements. The General Fund's balance increased \$145,434 from 2014.

During fiscal year 2015, the School District implemented GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. While the School District reports on a cash basis, the School District has included information about the net pension liability in its notes to the financial statements in accordance with the Auditor of State's requirements.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

Russia Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Russia Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014 on a cash basis:

(Table 1)
Net Position

	Governmental Activities	
	2014	2015
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,140,000	\$3,326,690
Net Position		
Restricted for:		
Capital Projects	\$164,506	\$72,910
Debt Service	1,037,997	1,146,237
Other Purposes	127,213	151,825
Unrestricted	1,810,284	1,955,718
Total Net Position	\$3,140,000	\$3,326,690

Russia Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

As mentioned previously, net position of governmental activities increased \$186,690 during fiscal year 2015. Unrestricted net position increased \$145,434 as a result of general operating receipts exceeding disbursements. Disbursements relating to the capital facilities project contributed to the decrease in net position restricted for capital improvements.

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

(Table 2)
Changes in Net Position

	Governmental Activities 2014	Governmental Activities 2015
Receipts:		
Program Receipts:		
Charges for Services	\$490,394	\$543,437
Operating Grants and Contributions	290,202	368,313
Total Program Receipts	<u>780,596</u>	<u>911,750</u>
General Receipts:		
Property Taxes	1,405,600	1,450,662
Income Taxes	383,226	341,772
Grants and Entitlements Not Restricted to Specific Programs	2,403,414	2,196,983
All Other Categories	46,785	28,553
Total General Receipts	<u>4,239,025</u>	<u>4,017,970</u>
Total Receipts	<u>5,019,621</u>	<u>4,929,720</u>
Disbursements:		
Instruction	2,691,836	2,651,865
Support Services:		
Pupils and Instructional Staff	132,010	126,110
Board of Education, Administration, Fiscal and Business	504,589	531,037
Operation and Maintenance of Plant	332,084	383,737
Pupil Transportation	243,636	240,102
Central	103,092	95,407
Operation of Non-Instructional Services	147,081	138,165
Extracurricular Activities	180,139	164,261
Capital Outlay	16,556	-
Debt Service	415,173	412,346
Total Disbursements	<u>4,766,196</u>	<u>4,743,030</u>
Increase (Decrease) in Net Position	253,425	186,690
Net Position, Beginning of Year	2,886,575	3,140,000
Net Position, End of Year	<u>\$3,140,000</u>	<u>\$3,326,690</u>

Income taxes decreased \$41,454 or 11% during 2015.

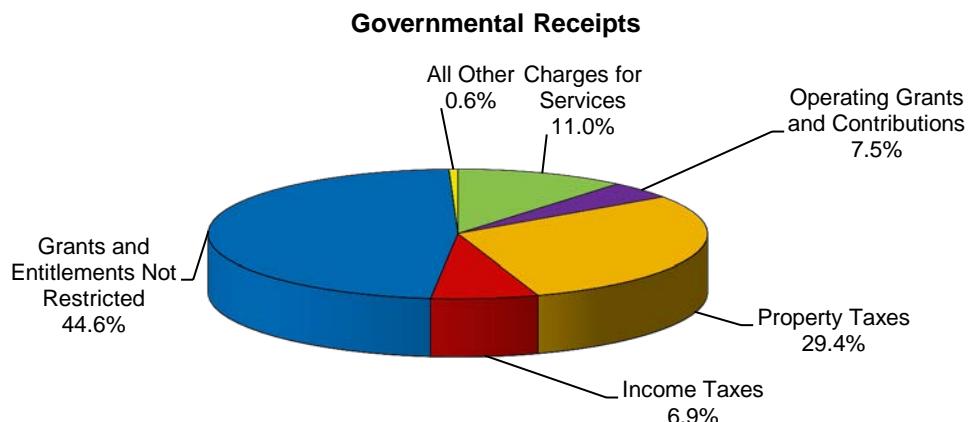
Operating grants and contributions decreased due to a decrease in the Race to the Top Grant.

Russia Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

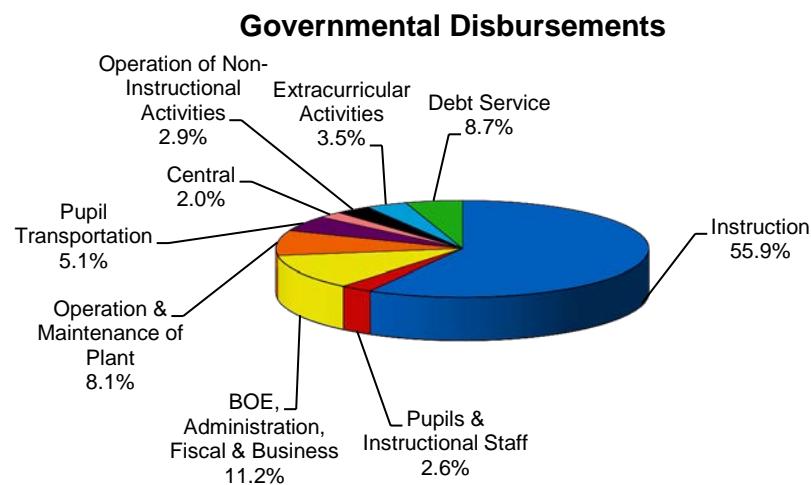
Expenditures for fiscal year 2015 remained consistent with prior year, only a .5% decrease.

Governmental Activities

Grants and entitlements not restricted consists largely of state foundation monies. For 2015, grants and entitlements accounted for 44.6% of the School District's receipts with 47.9% for 2014. The percentage for property taxes remained the same as prior year and income taxes increased .3% from prior year.



For fiscal year 2015, instruction made up 55.9% of disbursements down from 56.5% of disbursements for 2014.



If you look at the statement of activities on page 48 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services.

Russia Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2015	Net Cost of Services 2015
	\$2,691,836	(\$2,165,153)	\$2,651,865	(\$2,012,294)
Instruction				
Support Services:				
Pupils and Instructional Staff	132,010	(126,814)	126,110	(121,659)
Board of Education, Administration, Fiscal and Business	504,589	(504,589)	531,037	(531,037)
Operation and Maintenance of Plant	332,084	(328,754)	383,737	(381,327)
Pupil Transportation	243,636	(227,465)	240,102	(218,900)
Central	103,092	(71,179)	95,407	(68,142)
Operation of Non-Instructional Services	147,081	(2,864)	138,165	857
Extracurricular Activities	180,139	(127,053)	164,261	(86,432)
Capital Outlay	16,556	(16,556)	-	-
Debt Service	415,173	(415,173)	412,346	(412,346)
Total Disbursements	<u><u>\$4,766,196</u></u>	<u><u>(\$3,985,600)</u></u>	<u><u>\$4,743,030</u></u>	<u><u>(\$3,831,280)</u></u>

The dependence upon state foundation and property and income tax receipts is apparent as the various programs require significant support from general receipts.

The School District's Funds

Total governmental funds had receipts of \$4,929,720 and disbursements of \$4,743,030.

The fund balance of the General Fund increased \$145,434. This increase in fund balance was consistent with fiscal year 2014 increase of \$146,759.

The fund balance of the Bond Retirement Fund increased \$108,240 as a result of receipts generated from property taxes exceeding debt payments.

General Fund Budgeting Highlights

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

For the General Fund, the final budget basis revenue estimate was \$3,848,144, which was \$3,494 higher than the original budgeted estimate. The final total appropriations of \$4,876,528 were only \$27,494 higher than original appropriations. The School District closely monitored spending enabling the School District to spend \$232,914 less than the amount appropriated.

Russia Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Capital Assets and Debt Administration

Capital Assets

The School District does not currently report its capital assets and infrastructure.

Debt

In fiscal year 2008, \$3,544,998 in school improvement refunding bonds were issued to advance refund a portion of the building addition bonds, \$2,940,293 were outstanding at June 30, 2015. These bonds are made up of serial, term and capital appreciation bonds. The capital appreciation bonds were accreted \$28,839 in fiscal year 2015.

In fiscal year 2010, \$1,940,700 in school improvement bonds were issued to pay for the local share of construction under the State of Ohio Classroom Facilities Assistance Program. These bonds are made up of term and capital appreciation bonds. \$1,741,236 of these bonds remain outstanding at June 30, 2015.

Table 4
Outstanding Debt at June 30,

	Amount Outstanding 2014	Amount Outstanding 2015
School Improvement Refunding Bonds	\$3,086,454	\$2,940,293
School Improvement Bonds	<u>1,764,136</u>	<u>1,741,236</u>
Total Debt	<u>\$4,850,590</u>	<u>\$4,681,529</u>

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a “special needs district” in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for “special needs district” status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

For more information on the School District’s debt, see Note 10 of the Basic Financial Statements.

Russia Local School District
Shelby County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Current Issues

The School District received approval from the Ohio School Facilities Commission (OSFC) of the 2nd phase of the complete renovation and construction project that began with the 1st phase in 2003. The OSFC assessed and evaluated the School District's current facility. The recommendations from the OSFC included many needed repairs, renovations and some additional space. As a result of this recommendation, the School District asked the voters to approve a bond levy. On August 4, 2009, the voters of Russia Local School District approved a bond levy for 3.58 mills. The levy is for 28 years and will generate \$1,940,740. The levy proceeds were used to pay for the bonds for the local portion of the Ohio School Facilities Commission (OSFC) project. The project consisted of the elementary renovation with approximately 5,000 square feet of new building. The State share of the project was \$4,988,156. The bonds issued were rated AA- by Standard and Poor's.

On May 6, 2014, the voters of Russia Local School District also approved a renewal-operating levy for 8 mills. The levy is for five years. The levy generates about \$320,000 a year.

In conclusion, the Russia Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jean Borchers, Treasurer at Russia Local School District, 100 School Street, Russia, OH 45363.

Russia Local School District
Shelby County
Statement of Net Position - Cash Basis
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,326,690</u>
 Net Position	
Restricted for:	
Capital Projects	\$72,910
Debt Service	1,146,237
Other Purposes	151,825
Unrestricted	<u>1,955,718</u>
 <i>Total Net Position</i>	<u>\$3,326,690</u>

See accompanying notes to the basic financial statements

Russia Local School District
Shelby County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

				Net (Disbursements) Receipts and Changes in Net Position
		Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$2,141,044	\$358,035	\$12,312	(\$1,770,697)
Special	503,316	1,945	267,279	(234,092)
Student Intervention Services	7,505	-	-	(7,505)
Support Services:				
Pupil	80,620	3,051	1,400	(76,169)
Instructional Staff	45,490	-	-	(45,490)
Board of Education	7,081	-	-	(7,081)
Administration	349,640	-	-	(349,640)
Fiscal	173,841	-	-	(173,841)
Business	475	-	-	(475)
Operation and Maintenance of Plant	383,737	2,410	-	(381,327)
Pupil Transportation	240,102	17,183	4,019	(218,900)
Central	95,407	-	27,265	(68,142)
Operation of Non-Instructional Services	138,165	108,047	30,975	857
Extracurricular Activities	164,261	52,766	25,063	(86,432)
Principal Retirement	225,000	-	-	(225,000)
Interest and Fiscal Charges	187,346	-	-	(187,346)
<i>Total Governmental Activities</i>	\$4,743,030	\$543,437	\$368,313	(3,831,280)

General Receipts

Property Taxes Levied for:

General Purposes	991,303
Debt Service	440,726
Other Purposes	18,633
Income Taxes Levied for General Purposes	341,772
Grants and Entitlements not Restricted to Specific Programs	2,196,983
Gifts and Donations not Restricted to Specific Programs	1,385
Interest	257
Miscellaneous	<u>26,911</u>

Total General Cash Receipts

4,017,970

Change in Net Position

186,690

Net Position Beginning of Year

3,140,000

Net Position End of Year

\$3,326,690

See accompanying notes to the basic financial statements

Russia Local School District

Shelby County

Statement of Assets and Fund Balances - Cash Basis

Governmental Funds

June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,955,718	\$1,146,237	\$224,735	\$3,326,690
<i>Total Assets</i>	<u>\$1,955,718</u>	<u>\$1,146,237</u>	<u>\$224,735</u>	<u>\$3,326,690</u>
Fund Balances				
Restricted	\$0	\$1,146,237	\$226,789	\$1,373,026
Assigned	955,554	-	-	955,554
Unassigned	1,000,164	-	(2,054)	998,110
<i>Total Fund Balances</i>	<u>\$1,955,718</u>	<u>\$1,146,237</u>	<u>\$224,735</u>	<u>\$3,326,690</u>

See accompanying notes to the basic financial statements

Russia Local School District
Shelby County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$991,303	\$440,726	\$18,633	\$1,450,662
Income Taxes	341,772	-	-	341,772
Intergovernmental	2,253,971	90,631	191,121	2,535,723
Interest	255	-	2	257
Tuition and Fees	342,180	-	-	342,180
Rent	-	-	1,700	1,700
Extracurricular Activities	9,408	-	57,990	67,398
Contributions and Donations	5,895	-	25,063	30,958
Charges for Services	-	-	110,457	110,457
Miscellaneous	45,226	-	3,387	48,613
<i>Total Receipts</i>	<i>3,990,010</i>	<i>531,357</i>	<i>408,353</i>	<i>4,929,720</i>
Disbursements				
Current:				
Instruction:				
Regular	2,129,678	-	11,366	2,141,044
Special	394,168	-	109,148	503,316
Student Intervention Services	7,505	-	-	7,505
Support Services:				
Pupil	80,620	-	-	80,620
Instructional Staff	44,090	-	1,400	45,490
Board of Education	7,081	-	-	7,081
Administration	349,640	-	-	349,640
Fiscal	162,619	10,771	451	173,841
Business	475	-	-	475
Operation and Maintenance of Plant	321,116	-	62,621	383,737
Pupil Transportation	153,984	-	86,118	240,102
Central	68,142	-	27,265	95,407
Operation of Non-Instructional Services	2,654	-	135,511	138,165
Extracurricular Activities	122,804	-	41,457	164,261
Debt Service:				
Principal Retirement	-	225,000	-	225,000
Interest and Fiscal Charges	-	187,346	-	187,346
<i>Total Disbursements</i>	<i>3,844,576</i>	<i>423,117</i>	<i>475,337</i>	<i>4,743,030</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>145,434</i>	<i>108,240</i>	<i>(66,984)</i>	<i>186,690</i>
Other Financing Sources (Uses)				
Transfers In	-	-	69,450	69,450
Transfers Out	-	-	(69,450)	(69,450)
<i>Total Other Financing Sources (Uses)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Net Change in Fund Balances</i>	<i>145,434</i>	<i>108,240</i>	<i>(66,984)</i>	<i>186,690</i>
<i>Fund Balances Beginning of Year</i>	<i>1,810,284</i>	<i>1,037,997</i>	<i>291,719</i>	<i>3,140,000</i>
<i>Fund Balances End of Year</i>	<i>\$1,955,718</i>	<i>\$1,146,237</i>	<i>\$224,735</i>	<i>\$3,326,690</i>

See accompanying notes to the basic financial statements

Russia Local School District
Shelby County
*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budgetary Basis*
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$910,000	\$910,000	\$991,303	\$81,303
Income Taxes	375,000	375,000	341,772	(33,228)
Intergovernmental	2,220,000	2,220,000	2,253,971	33,971
Interest	150	150	255	105
Tuition and Fees	287,100	287,100	342,180	55,080
Extracurricular Activities	5,100	5,100	6,357	1,257
Contributions and Donations	2,300	5,300	4,385	(915)
Miscellaneous	34,000	34,494	26,322	(8,172)
Total Receipts	<u>3,833,650</u>	<u>3,837,144</u>	<u>3,966,545</u>	<u>129,401</u>
Disbursements				
Current:				
Instruction:				
Regular	2,187,256	2,190,750	2,129,678	61,072
Special	383,120	403,120	394,168	8,952
Student Intervention Services	4,650	14,650	7,505	7,145
Support Services:				-
Pupils	77,790	87,790	78,556	9,234
Instructional Staff	63,440	63,440	44,090	19,350
Board of Education	7,425	7,425	7,081	344
Administration	362,400	362,400	349,640	12,760
Fiscal	167,049	167,049	162,619	4,430
Business	600	600	475	125
Operation and Maintenance of Plant	361,314	361,314	338,474	22,840
Pupil Transportation	176,890	176,890	157,818	19,072
Central	98,900	98,900	68,402	30,498
Operation of Non-Instructional Services	4,000	8,000	2,304	5,696
Extracurricular Activities	154,200	154,200	122,804	31,396
Total Disbursements	<u>4,049,034</u>	<u>4,096,528</u>	<u>3,863,614</u>	<u>232,914</u>
Excess of Receipts Over (Under) Disbursements	<u>(215,384)</u>	<u>(259,384)</u>	<u>102,931</u>	<u>362,315</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	10,000	10,000	18,904	8,904
Proceeds from Sale of Capital Assets	1,000	1,000	-	(1,000)
Other Financing Uses	(800,000)	(780,000)	-	780,000
Total Other Financing Sources (Uses)	<u>(789,000)</u>	<u>(769,000)</u>	<u>18,904</u>	<u>787,904</u>
Net Change in Fund Balances	(1,004,384)	(1,028,384)	121,835	1,150,219
Fund Balance at Beginning of Year	1,770,984	1,770,984	1,770,984	-
Prior Year Encumbrances Appropriated	33,934	33,934	33,934	-
Fund Balance at End of Year	<u>\$800,534</u>	<u>\$776,534</u>	<u>\$1,926,753</u>	<u>\$1,150,219</u>

See accompanying notes to the basic financial statements

**Russia Local School District
Shelby County**

*Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015*

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$6,846</u>	<u>\$21,876</u>
Liabilities		
Due to Students	<u>\$0</u>	<u>\$21,876</u>
Net Position		
Held in Trust for Scholarships:		
Expendable	3,846	
Non-expendable	3,000	
Total Net Position	<u>\$6,846</u>	
Undistributed Monies		

See accompanying notes to the basic financial statements

Russia Local School District
Shelby County
Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions	
Gifts and Contributions	\$31,095
Deductions	
Scholarships	<u>33,490</u>
Change in Net Position	(2,395)
Net Position - Beginning of Year	<u>9,241</u>
Net Position - End of Year	<u><u>\$6,846</u></u>

See accompanying notes to the basic financial statements

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

Note 1 - Reporting Entity

Russia 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 and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities is staffed by 21 non-certificated employees, 34 certificated teaching personnel and 2 administrative employees to provide services to 462 students. It currently operates one instructional building.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

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 Russia Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

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; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 1 - Reporting Entity (continued)

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization (WOCO)
Southwestern Ohio Educational Purchasing Council (SOEPC)
Southwestern Ohio Instructional Technology Association (SOITA)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
Midwest Regional Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the two digit function level for the General Fund, Bond Retirement Debt Service Fund and Classroom Facilities Fund and at the fund level for all other funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2015, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2015 was \$255, which included \$106 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)*

Note 2 - Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

For purposes of measuring the net pension liability, 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.

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net position

The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District 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, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any net position restricted by enabling legislation at June 30, 2015.

L. Fund Balance

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)*

Note 2 - Summary of Significant Accounting Policies (continued)

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 classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

M. Interfund Transactions

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

N. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 145,434
Encumbrances	(21,452)
Perspective Differences	<u>(2,147)</u>
Budgetary Basis	<u><u>\$ 121,835</u></u>

Note 4 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim deposits 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 must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**Russia Local School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)*

Note 4 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any 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 or Ohio local governments;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 4 - Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$3,355,412. Cash balances per the bank were \$3,366,703. \$250,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2015, \$3,116,703 of the School District's bank balance of \$3,366,703 was exposed to custodial risk and was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name.

Investments

The School District did not have any investments at June 30, 2015.

Note 5 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

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

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 5 - Property Taxes (continued)

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

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

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$41,150,970	95.48%	\$41,298,020	94.92%
Public Utility Personal	1,946,180	4.52	2,210,960	5.08
Total	<u>\$43,097,150</u>	<u>100.00%</u>	<u>\$43,508,980</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	46.55		43.25	

Note 6 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 7 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$2,500 deductible)	\$27,819,974
Boiler and Machinery (\$3,500 deductible)	250,000,000
Flood & Earthquake per occurrence/aggregate	1,000,000
EDP Equipment	10,000,000
Automobile Liability (per occurrence)	1,000,000
Money and Securities (per occurrence)	500,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$5,000 deductible)	1,000,000

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 7 - Risk Management (continued)

General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000
Excess Liability – (occurrence/aggregate per district)	5,000,000

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

B. Workers' Compensation

For fiscal year 2015, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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

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

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

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.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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

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

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

For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$105,482 for fiscal year 2015.

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.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)*

Note 8 - Defined Benefit Pension Plans (continued)

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

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

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

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

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

The School District's contractually required contribution to STRS was \$272,055 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$952,773	\$4,162,285	\$5,115,058
Proportion of the Net Pension Liability	0.018826%	0.0171120%	

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

Russia Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)*

Note 8 - Defined Benefit Pension Plans (continued)

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:

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

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

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

	Current		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$1,359,324	\$952,773	\$610,829

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

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

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

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

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

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

Asset Class	Target Allocation		Long Term Expected Real 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	%		

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$5,958,764	\$4,162,285	\$2,643,067

Note 9 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program.

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 9 – Postemployment Benefits (continued)

Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$9,602

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$15,780, \$8,357 and \$9,735 respectively. For fiscal year 2015, 25 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$18,178, and \$18,120 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Russia Local School District
Shelby County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)*

Note 10 – Debt

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

	Amount			Amount		Amount Due in One Year	
	Outstanding 6/30/2014	Additions	Deletions	Outstanding 6/30/2015			
Govermental Activities							
School Improvement Refunding Bonds:							
Serial Bonds 4.0%	\$ 1,170,000	\$ -	\$ (175,000)	\$ 995,000	\$ 180,000		
Term Bonds 4.0%, 4.2%	1,785,000	-	-	1,785,000	-		
Capital Appreciation Bonds 4.25%, 4.33%	131,454	28,839	-	160,293	-		
Total School Improvement Refunding Bonds	<u>3,086,454</u>	<u>28,839</u>	<u>(175,000)</u>	<u>2,940,293</u>	<u>180,000</u>		
School Improvement Bonds:							
Term Bonds 1-4.6%	1,710,000	-	(50,000)	1,660,000	-		
Capital Appreciation Bonds 2.85%, 3.15%	54,136	27,100	-	81,236	6,346		
Total School Improvement Bonds	<u>1,764,136</u>	<u>27,100</u>	<u>(50,000)</u>	<u>1,741,236</u>	<u>6,346</u>		
Total Debt	<u><u>\$4,850,590</u></u>	<u><u>\$55,939</u></u>	<u><u>(\$225,000)</u></u>	<u><u>\$4,681,529</u></u>	<u><u>\$186,346</u></u>		

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). The capital appreciation bonds were accreted \$28,839 in fiscal year 2015.

On March 9, 2010, the School District issued a total of \$1,940,700 in School Improvement Bonds to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond proceeds were used to retire the bond anticipation notes which matured May 4, 2010. Of the \$1,940,700 in improvement bonds, \$1,930,000 is term bonds with interest rates ranging from 1% to 4.6% with the final maturity on December 1, 2037. The remaining \$10,700 is capital appreciation bonds (maturity amount of \$55,000 on December 1, 2015 and 2016). The term bonds are subject to mandatory sinking fund redemption. The capital appreciation bonds were accreted \$27,100 in fiscal year 2015.

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a “special needs district” in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code.

The School District was approved for “special needs district” status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 10 – Debt (continued)

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

Fiscal Year Ending	June 30,	Principal	Interest	Total
	2016	\$186,346	\$228,439	\$414,785
	2017	194,354	223,032	417,386
	2018	255,000	163,733	418,733
	2019	265,000	153,828	418,828
	2020	74,230	343,583	417,813
	2021-2025	1,240,768	783,857	2,024,625
	2026-2030	1,470,000	317,036	1,787,036
	2031-2035	470,000	130,919	600,919
	2036-2038	330,000	23,230	353,230
	Subtotal	<u>4,485,698</u>	<u>2,367,657</u>	<u>6,853,355</u>
	Accretion on Bonds	<u>195,831</u>	<u>(195,831)</u>	<u>-</u>
	Total	<u><u>\$4,681,529</u></u>	<u><u>\$2,171,826</u></u>	<u><u>\$6,853,355</u></u>

Note 11 – Fund Balance

Fund balance is classified as non-spendable, 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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond	Other	Total
		Retirement	Governmental Funds	Governmental Funds
Restricted for:				
Food Service Operations	\$ -	\$ -	\$ 37,239	\$ 37,239
Classroom Maintenance	- -	- -	83,980	83,980
Athletics	- -	- -	32,660	32,660
Capital Improvements	- -	- -	72,910	72,910
Debt Service	- -	<u>1,146,237</u>	- -	<u>1,146,237</u>
Total Restricted	<u>- -</u>	<u>1,146,237</u>	<u>226,789</u>	<u>1,373,026</u>
Assigned for:				
Unpaid Obligations	21,453	- -	- -	21,453
FY 16 Appropriations	928,530	- -	- -	928,530
Public School Support	5,571	- -	- -	5,571
Total Assigned	<u>955,554</u>	<u>- -</u>	<u>- -</u>	<u>955,554</u>
Unassigned	1,000,164	- -	(2,054)	998,110
Total Fund Balance	<u><u>\$ 1,955,718</u></u>	<u><u>\$ 1,146,237</u></u>	<u><u>\$ 224,735</u></u>	<u><u>\$ 3,326,690</u></u>

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 12 – Set-Aside Requirements

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

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

	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2014	\$ -
Current Year Set-Aside Requirement	77,320
Prior Year Offset from Bond Proceeds	(44,156)
Current Year Offset - Classroom Facilities Maintenance Levy	<u>(33,164)</u>
Total Set-aside Reserve Balance at June 30, 2015	<u>\$ -</u>
Excess Available to Carry-Over to Subsequent Year	<u>\$ -</u>

The District had current year offsets that reduced the capital improvements set-aside. During prior fiscal years, the District issued \$4,500,500 and \$1,940,700 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,659,817 at June 30, 2015.

Note 13– Donor-Restricted Endowments

The School District's private purpose trust funds include donor-restricted endowments. Net position-Endowments of \$3,000 represents the principal portion of the endowment. The amount of net appreciation in the donor-restricted investments that is available for expenditures for the governing body is \$3,846 and is included as net position held in trust for scholarships. State law permits the governing body to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)*

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby 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 Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2015, the School District paid \$38,065 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2015, the School District paid \$26,032 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2015, the School District did not make any contributions to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 E. Fifth Street, Dayton, OH 45402.

Russia Local School District

Shelby County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)*

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Midwest Regional Schools Consortium - The Midwest Regional Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2015, Russia Local School District contributed \$411,917 from the General Fund. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2015, the School District paid \$25,557 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Note 15 – Fund Balance

The School District's Race to the Top Grant had a deficit fund balance of \$2,054. When grant reimbursement monies are received, the deficit will be eliminated.

Russia Local School District
Shelby County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 16 – Contingent Liabilities

Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

Litigation

There are currently no matters in litigation with the School District as defendant.

Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. This resulted in a liability to the School District.

Note 17 – Interfund Transactions

The School District transferred \$69,450 from the Local Share Project Construction Fund to the Permanent Improvement Fund. The School District closed out the capital facilities project during fiscal year 2015 and the remaining balance was transferred to the Permanent Improvement Fund.

Note 18 – Change in Accounting Principle

For fiscal year 2015, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 68, “*Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27*” and Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date.*” GASB Statement No. 68 improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB Statement No. 71, amends GASB Statement No. 68 and is effective with the provisions of GASB Statement No. 68. The implementation of these statements is described further in Note 8.



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

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Russia Local School District, Shelby County, Ohio, (the School District) as of and for the fiscal years ended June 30, 2016 and 2015, 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 September 21, 2017, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

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 material 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.

Russia Local School District
Shelby County
Independent Auditor's Report on Internal Control Over
Financial Reporting and On Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.



Dave Yost
Auditor of State
Columbus, Ohio

September 21, 2017

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Not Filing in Accordance with GAAP - Noncompliance

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2016 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, deferred inflows/outflows, equity, and the disclosures required to accurately and completely present the School District's financial condition.

Officials' Response:

We did not receive a response from Officials to this finding.

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RUSSIA LOCAL SCHOOL DISTRICT

SHELBY 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 19, 2017