

# **Tri-Valley Local School District**

Muskingum County, Ohio

## *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2016





# Dave Yost • Auditor of State

Board of Education  
Tri-Valley Local School District  
36 E. Muskingum Avenue  
Dresden, Ohio 43821

We have reviewed the *Independent Auditor's Report* of the Tri-Valley Local School District, Muskingum County, prepared by Rea & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Tri-Valley Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

January 23, 2017

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**Tri-Valley Local School District  
Muskingum County, Ohio**

**June 30, 2016**

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Muskingum County, Ohio**

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December 7, 2016

The Board of Education  
Tri-Valley Local School District  
Muskingum County, Ohio  
36 E. Muskingum Avenue  
Dresden, Ohio 43821

## **Independent Auditor's Report**

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability, and Schedule of School District Contributions* on pages 5-15, 65, and 66-67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards, as required *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

*Kea & Associates, Inc.*

Cambridge, Ohio

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**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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

***Financial Highlights***

Key financial highlights for 2016 are as follows:

- In total, net position increased \$1,967,624. For governmental activities, net position increased \$1,966,342, which represents a 13 percent increase from 2015. For business-type activities, net position increased \$1,282.
- Capital assets of governmental activities decreased \$2,028,584 during fiscal year 2016.
- During the fiscal year, outstanding debt of governmental activities decreased from \$15,162,429 to \$14,515,191 primarily due to principal payments made by the School District and a debt refunding.

***Using this Annual Report***

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

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

**Tri-Valley Local School District**  
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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, the School District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, extracurricular activities and operation of non-instructional services.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or the majority of the expenses of the goods or services provided. The School District's Scottie Kid's Club fund is reported as a business-type activity.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The major funds financial statements begin on page 18. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

***Proprietary Funds*** The School District maintains two types of proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's major enterprise fund is the Scottie Kid's Club fund. The proprietary fund financial statements begin on page 23.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 26 and 27. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$ 23,462,801	\$ 20,403,077	\$ 13,194	\$ 11,176	\$ 23,475,995	\$ 20,414,253
Capital Assets	52,841,141	54,869,725	0	0	52,841,141	54,869,725
<i>Total Assets</i>	76,303,942	75,272,802	13,194	11,176	76,317,136	75,283,978
<b>Deferred Outflows of Resources</b>						
Deferred Charges on Refunding	121,049	452,605	0	0	121,049	452,605
Pension	3,548,651	2,331,885	0	0	3,548,651	2,331,885
<i>Total Deferred Outflows of Resources</i>	3,669,700	2,784,490	0	0	3,669,700	2,784,490
<b>Liabilities</b>						
Other Liabilities	3,899,545	3,833,239	3,492	3,000	3,903,037	3,836,239
Long-Term Liabilities:						
Due Within One Year	922,967	741,944	2,344	101	925,311	742,045
Due in More Than One Year:						
Net Pension Liability	35,034,130	31,398,898	0	0	35,034,130	31,398,898
Other Amounts Due in More Than One Year	15,056,880	15,845,321	0	1,999	15,056,880	15,847,320
<i>Total Liabilities</i>	54,913,522	51,819,402	5,836	5,100	54,919,358	51,824,502
<b>Deferred Inflows of Resources</b>						
Property Taxes and Other	5,248,683	5,506,150	0	0	5,248,683	5,506,150
Payment in Lieu of Taxes for the Next Year	336,298	338,394	0	0	336,298	338,394
Pension	2,769,606	5,654,155	0	0	2,769,606	5,654,155
<i>Total Deferred Inflows of Resources</i>	8,354,587	11,498,699	0	0	8,354,587	11,498,699
<b>Net Position</b>						
Net Investment in Capital Assets	38,715,586	40,405,425	0	0	38,715,586	40,405,425
Restricted	5,960,356	5,714,028	0	0	5,960,356	5,714,028
Unrestricted	(27,970,409)	(31,380,262)	7,358	6,076	(27,963,051)	(31,374,186)
<i>Total Net Position</i>	\$ 16,705,533	\$ 14,739,191	\$ 7,358	\$ 6,076	\$ 16,712,891	\$ 14,745,267

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

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

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

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

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***Governmental Activities***

At fiscal year end, capital assets represented 73 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Net investment in capital assets was \$38,715,586 at June 30, 2016. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$5,960,356, or 36 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit balance of \$27,970,409, which is primarily caused by the accounting treatment related to GASB 68 and 71.

Current and other assets increased \$3,059,724, with the most significant increase being cash and investments as a result of revenues outpacing expenditures. Intergovernmental receivables increased in fiscal year 2016 due to the timing of federal grant receipts. Taxes receivable also increased due to increased property values. The \$2,028,584 decrease in capital assets is due to depreciation and disposals exceeding capital purchases in the current fiscal year.

Deferred charges on refunding decreased \$331,556 due to the debt refunding that occurred in fiscal year 2016 in which the unamortized amount on the refunded debt was written off during the current year. The increase in deferred outflows-pension and net pension liability, and the decrease in deferred inflows-pension were due to changes in accruals related to GASB Statements No. 68 and 71.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,937,839	\$ 2,787,655	\$ 128,633	\$ 111,299	\$ 3,066,472	\$ 2,898,954
Operating Grants	3,748,944	3,784,534	0	0	3,748,944	3,784,534
Capital Grants	11,209	16,125	0	0	11,209	16,125
<b>Total Program Revenues</b>	<b>6,697,992</b>	<b>6,588,314</b>	<b>128,633</b>	<b>111,299</b>	<b>6,826,625</b>	<b>6,699,613</b>
<i>General Revenues:</i>						
Property Taxes	10,169,754	8,838,123	0	0	10,169,754	8,838,123
Grants and Entitlements Not Restricted	17,230,334	17,264,353	0	0	17,230,334	17,264,353
Payments in Lieu of Taxes	355,409	74,368	0	0	355,409	74,368
Other	85,726	263,253	0	0	85,726	263,253
<b>Total General Revenues</b>	<b>27,841,223</b>	<b>26,440,097</b>	<b>0</b>	<b>0</b>	<b>27,841,223</b>	<b>26,440,097</b>
<b>Total Revenues</b>	<b>34,539,215</b>	<b>33,028,411</b>	<b>128,633</b>	<b>111,299</b>	<b>34,667,848</b>	<b>33,139,710</b>
<b>Program Expenses</b>						
<i>Instruction:</i>						
Regular	15,542,604	16,320,341	0	0	15,542,604	16,320,341
Special	4,450,048	4,187,065	0	0	4,450,048	4,187,065
Vocational	208,031	264,540	0	0	208,031	264,540
Student Intervention Services	2,165	916	0	0	2,165	916
<i>Support Services:</i>						
Pupils	801,217	920,887	0	0	801,217	920,887
Instructional Staff	170,068	420,470	0	0	170,068	420,470
Board of Education	731,044	650,592	0	0	731,044	650,592
Administration	2,698,079	2,692,505	0	0	2,698,079	2,692,505
Fiscal	513,874	509,765	0	0	513,874	509,765
Operation and Maintenance of Plant	2,635,097	2,520,724	0	0	2,635,097	2,520,724
Pupil Transportation	2,004,192	2,026,709	0	0	2,004,192	2,026,709
Central	376,850	427,295	0	0	376,850	427,295
<i>Operation of Non-Instructional Services:</i>						
Food Service Operations	1,242,467	1,350,526	0	0	1,242,467	1,350,526
Community Services	136,643	135,900	0	0	136,643	135,900
Extracurricular Activities	388,098	362,304	0	0	388,098	362,304
<i>Debt Service:</i>						
Interest and Fiscal Charges	559,773	695,216	0	0	559,773	695,216
Issuance Costs	112,623	0	0	0	112,623	0
Scottie Kid's Club	0	0	127,351	110,784	127,351	110,784
<b>Total Expenses</b>	<b>32,572,873</b>	<b>33,485,755</b>	<b>127,351</b>	<b>110,784</b>	<b>32,700,224</b>	<b>33,596,539</b>
<b>Increase (Decrease) in Net Position</b>	<b>1,966,342</b>	<b>(457,344)</b>	<b>1,282</b>	<b>515</b>	<b>1,967,624</b>	<b>(456,829)</b>
<b>Net Position at Beginning of Year</b>	<b>14,739,191</b>	<b>15,196,535</b>	<b>6,076</b>	<b>5,561</b>	<b>14,745,267</b>	<b>15,202,096</b>
<b>Net Position at End of Year</b>	<b>\$ 16,705,533</b>	<b>\$ 14,739,191</b>	<b>\$ 7,358</b>	<b>\$ 6,076</b>	<b>\$ 16,712,891</b>	<b>\$ 14,745,267</b>

There was a \$1,331,631 increase in property tax revenue due to increased cash collections as well as an increase in the amount available for advance at June 30, 2016. The amount available for advance can vary year to year based on the date bills are sent.

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

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

	Total Cost of Service		Net Cost of Service	
	2016	2015	2016	2015
<b>Instruction:</b>				
Regular	\$ 15,542,604	\$ 16,320,341	\$ 13,352,509	\$ 14,294,589
Special	4,450,048	4,187,065	1,855,091	1,632,307
Vocational	208,031	264,540	161,638	175,363
Student Intervention Services	2,165	916	2,165	916
<b>Support Services:</b>				
Pupils	801,217	920,887	608,187	742,684
Instructional Staff	170,068	420,470	146,036	330,576
Board of Education	731,044	650,592	731,044	650,592
Administration	2,698,079	2,692,505	2,633,828	2,633,624
Fiscal	513,874	509,765	513,874	509,765
Operation and Maintenance of Plant	2,635,097	2,520,724	2,525,632	2,486,770
Pupil Transportation	2,004,192	2,026,709	1,952,053	1,884,867
Central	376,850	427,295	375,905	425,878
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,242,467	1,350,526	53,661	202,066
Community Services	136,643	135,900	89,696	82,089
Extracurricular Activities	388,098	362,304	201,166	150,139
<b>Debt Service:</b>				
Interest and Fiscal Charges	559,773	695,216	559,773	695,216
Issuance Costs	112,623	0	112,623	0
<b>Total Expenses</b>	<b>\$ 32,572,873</b>	<b>\$ 33,485,755</b>	<b>\$ 25,874,881</b>	<b>\$ 26,897,441</b>

The dependence upon general revenues for governmental activities is apparent. Approximately 79 percent of governmental activities are supported through taxes and other general revenues; such revenues are approximately 81 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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***Business-Type Activities***

The School District has one fund reported as a business-type activity. Operations for Scottie Kid's Club, a before and after school child care program, began in fiscal year 2013. This program had total revenues of \$128,633, which was a 16 percent increase over fiscal year 2015. The program had \$127,351 of expenses for fiscal year 2016, a 15 percent increase from fiscal year 2015, for a change in net position of \$1,282.

***Governmental Funds***

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$34,246,192 and expenditures of \$31,017,317 for fiscal year 2016.

The general fund's net change in fund balance for fiscal year 2016 was an increase of \$3,472,983. Of this increase, most can be attributed an increase in property and other local taxes. Expenditures remained constant from the prior year, but transfers out decreased by \$1,500,000. In fiscal year 2015, the general fund made a one-time transfer of \$1,500,000 to the internal service fund

The fund balance of the debt service fund increased by \$90,126, primarily due to the timing of tax receipts and payments in accordance with amortization schedules.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2016, the School District did amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue and other financing sources of \$29,074,068 was lower than the final budget amounts by \$367,575. Most of this variance was due to advances in being significantly less than budgeted.

Final budget basis revenues and other financing sources were \$2,877,570 higher than the original budget of \$26,564,073. Adjustments were made to property tax and foundation receipts during the year.

Actual expenditures and other financing uses of \$27,622,016 were \$309,382 lower than the final appropriations of \$27,931,398. Most of this variance was due to budgeted transfers not needed and offset by under-budgeting in many other expenditure line items.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2016, the School District had \$52,841,141 invested in capital assets. Table 4 shows fiscal year 2016 balances compared with 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 4,020,160	\$ 4,020,160
Construction in Progress	13,986	0
Land Improvements	1,566,112	1,498,366
Buildings and Improvements	45,325,982	47,441,877
Furniture, Fixtures and Equipment	743,777	936,959
Vehicles	1,148,284	945,302
Infrastructure	22,840	27,061
<i>Totals</i>	<u>\$ 52,841,141</u>	<u>\$ 54,869,725</u>

The \$2,028,584 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2016, the School District had \$14,515,191 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

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

	Governmental Activities	
	2016	2015
2002 School Improvement Term Bonds	\$ 2,291,552	\$ 2,720,691
2006 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	26,679	9,328,679
2007 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	3,102,560	3,113,059
2016 Refunding Bonds - Serial Bonds	9,094,400	0
<i>Total</i>	<u>\$ 14,515,191</u>	<u>\$ 15,162,429</u>

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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During fiscal year 2016, the School District issued \$7,965,000 of Current Refunding Bonds to refund a portion of the 2006 Advance Refunding Bonds.

***Current Issues***

The School District has developed a fiscal practice of spending within the limits of available revenues. Beginning in fiscal year 2011, the School District reduced its expenditures in all areas, including staffing, so as to maintain a positive cash position. Those changes, along with continued fiscal monitoring, have helped put the School District in a better financial position for the future. Additional reductions in expenses will be considered in the coming years on an as needed basis. Raising revenues by means of an operating levy will be considered only when all viable reductions have been exhausted.

***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 show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ryan Smith, Treasurer of Tri-Valley Local School District, 36 E. Muskingum Avenue, Dresden, Ohio, 43821 or email at [rdsmith@tvschools.org](mailto:rdsmith@tvschools.org).

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Net Position*  
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 12,834,003	\$ 13,194	\$ 12,847,197
Inventory Held For Resale	17,715	0	17,715
Materials and Supplies Inventory	111,264	0	111,264
Receivables:			
Intergovernmental	783,280	0	783,280
Property Taxes	9,249,002	0	9,249,002
Revenue in Lieu of Taxes	467,537	0	467,537
Nondepreciable Capital Assets	4,034,146	0	4,034,146
Depreciable Capital Assets (Net)	48,806,995	0	48,806,995
<i>Total Assets</i>	<u>76,303,942</u>	<u>13,194</u>	<u>76,317,136</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding	121,049	0	121,049
Pension	3,548,651	0	3,548,651
<i>Total Deferred Outflows of Resources</i>	<u>3,669,700</u>	<u>0</u>	<u>3,669,700</u>
<b>Liabilities</b>			
Accounts Payable	417,358	501	417,859
Accrued Wages and Benefits	2,723,928	2,352	2,726,280
Contracts Payable	13,986	0	13,986
Intergovernmental Payable	404,245	639	404,884
Matured Compensated Absences Payable	17,403	0	17,403
Accrued Interest Payable	43,302	0	43,302
Claims Payable	279,323	0	279,323
Long Term Liabilities:			
Due Within One Year	922,967	2,344	925,311
Due in More Than One Year:			
Net Pension Liability (See Note 10)	35,034,130	0	35,034,130
Other Amounts Due in More Than One Year	15,056,880	0	15,056,880
<i>Total Liabilities</i>	<u>54,913,522</u>	<u>5,836</u>	<u>54,919,358</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	5,248,683	0	5,248,683
Pension	2,769,606	0	2,769,606
Payment in Lieu of Taxes for the Next Year	336,298	0	336,298
<i>Total Deferred Inflows of Resources</i>	<u>8,354,587</u>	<u>0</u>	<u>8,354,587</u>
<b>Net Position</b>			
Net Investment in Capital Assets	38,715,586	0	38,715,586
Restricted For:			
Capital Outlay	1,887,953	0	1,887,953
Debt Service	2,565,411	0	2,565,411
State Programs	83,596	0	83,596
Federal Programs	312,904	0	312,904
Classroom Facilities Maintenance	835,820	0	835,820
Other Purposes	274,672	0	274,672
Unrestricted	(27,970,409)	7,358	(27,963,051)
<i>Total Net Position</i>	<u>\$ 16,705,533</u>	<u>\$ 7,358</u>	<u>\$ 16,712,891</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction:							
Regular	\$ 15,542,604	\$ 2,077,994	\$ 112,101	\$ 0	\$ (13,352,509)	\$ 0	\$ (13,352,509)
Special	4,450,048	98,109	2,496,848	0	(1,855,091)	0	(1,855,091)
Vocational	208,031	0	46,393	0	(161,638)	0	(161,638)
Student Intervention Services	2,165	0	0	0	(2,165)	0	(2,165)
Support Services:							
Pupils	801,217	20,279	172,751	0	(608,187)	0	(608,187)
Instructional Staff	170,068	0	24,032	0	(146,036)	0	(146,036)
Board of Education	731,044	0	0	0	(731,044)	0	(731,044)
Administration	2,698,079	64,251	0	0	(2,633,828)	0	(2,633,828)
Fiscal	513,874	0	0	0	(513,874)	0	(513,874)
Operation and Maintenance of Plant	2,635,097	0	98,256	11,209	(2,525,632)	0	(2,525,632)
Pupil Transportation	2,004,192	0	52,139	0	(1,952,053)	0	(1,952,053)
Central	376,850	945	0	0	(375,905)	0	(375,905)
Operation of Non-Instructional Services:							
Food Service Operations	1,242,467	448,217	740,589	0	(53,661)	0	(53,661)
Community Services	136,643	41,112	5,835	0	(89,696)	0	(89,696)
Extracurricular Activities	388,098	186,932	0	0	(201,166)	0	(201,166)
Debt Service:							
Interest and Fiscal Charges	559,773	0	0	0	(559,773)	0	(559,773)
Issuance Costs	112,623	0	0	0	(112,623)	0	(112,623)
<i>Total Governmental Activities</i>	<u>32,572,873</u>	<u>2,937,839</u>	<u>3,748,944</u>	<u>11,209</u>	<u>(25,874,881)</u>	<u>0</u>	<u>(25,874,881)</u>
<b>Business-Type Activities</b>							
Scottie Kid's Club	127,351	128,633	0	0	0	1,282	1,282
<i>Total</i>	<u>\$ 32,700,224</u>	<u>\$ 3,066,472</u>	<u>\$ 3,748,944</u>	<u>\$ 11,209</u>	<u>(25,874,881)</u>	<u>1,282</u>	<u>(25,873,599)</u>
<b>General Revenues</b>							
Property Taxes Levied for:							
General Purposes					9,031,850	0	9,031,850
Debt Service					981,920	0	981,920
Capital Outlay					155,984	0	155,984
Grants and Entitlements Not Restricted to Specific Programs					17,230,334	0	17,230,334
Payments in Lieu of Taxes					355,409	0	355,409
Investment Earnings					78,679	0	78,679
Miscellaneous					7,047	0	7,047
<i>Total General Revenues</i>					<u>27,841,223</u>	<u>0</u>	<u>27,841,223</u>
<i>Change in Net Position</i>					1,966,342	1,282	1,967,624
<i>Net Position Beginning of Year</i>					14,739,191	6,076	14,745,267
<i>Net Position End of Year</i>					<u>\$ 16,705,533</u>	<u>\$ 7,358</u>	<u>\$ 16,712,891</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2016*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 6,930,170	\$ 2,221,894	\$ 3,012,993	\$ 12,165,057
Inventory Held For Resale	0	0	17,715	17,715
Materials and Supplies Inventory	108,394	0	2,870	111,264
Receivables:				
Interfund	266,358	0	0	266,358
Intergovernmental	55,756	0	727,524	783,280
Property Taxes	8,248,078	885,068	115,856	9,249,002
Revenue in Lieu of Taxes	63,499	8,929	395,109	467,537
Advances to Other Funds	604,002	0	0	604,002
<i>Total Assets</i>	<u>\$ 16,276,257</u>	<u>\$ 3,115,891</u>	<u>\$ 4,272,067</u>	<u>\$ 23,664,215</u>
<b>Liabilities</b>				
Accounts Payable	\$ 345,438	\$ 0	\$ 22,951	\$ 368,389
Accrued Wages and Benefits	2,472,284	0	251,644	2,723,928
Contracts Payable	0	0	13,986	13,986
Intergovernmental Payable	385,145	0	19,100	404,245
Matured Compensated Absences Payable	17,230	0	173	17,403
Interfund Payable	0	0	266,358	266,358
Advances from Other Funds	0	0	143,487	143,487
<i>Total Liabilities</i>	<u>3,220,097</u>	<u>0</u>	<u>717,699</u>	<u>3,937,796</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	4,686,509	498,249	63,925	5,248,683
Unavailable Revenue	396,147	43,025	726,866	1,166,038
Payment in Lieu of Taxes for the Next Year	63,499	8,929	263,870	336,298
<i>Total Deferred Inflows of Resources</i>	<u>5,146,155</u>	<u>550,203</u>	<u>1,054,661</u>	<u>6,751,019</u>
<b>Fund Balances</b>				
Nonspendable	712,396	0	2,870	715,266
Restricted	0	2,565,688	3,097,482	5,663,170
Committed	11,000	0	613	11,613
Assigned	596,430	0	0	596,430
Unassigned	6,590,179	0	(601,258)	5,988,921
<i>Total Fund Balances</i>	<u>7,910,005</u>	<u>2,565,688</u>	<u>2,499,707</u>	<u>12,975,400</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 16,276,257</u>	<u>\$ 3,115,891</u>	<u>\$ 4,272,067</u>	<u>\$ 23,664,215</u>

See accompanying notes to the basic financial statements.



**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2016*

<b>Total Governmental Fund Balances</b>		\$ 12,975,400
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		52,841,141
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 721,090	
Delinquent Property Taxes	<u>444,948</u>	1,166,038
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(119,861)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(43,302)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		121,049
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	3,548,651	
Deferred Inflows - Pension	(2,769,606)	
Net Pension Liability	<u>(35,034,130)</u>	(34,255,085)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(12,850,000)	
Capital Appreciation Bonds	(51,449)	
Bond Premium	(1,339,555)	
Bond Discount	8,386	
Accretion of Interest - Capital Appreciation Bonds	(282,573)	
Compensated Absences	<u>(1,464,656)</u>	<u>(15,979,847)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 16,705,533</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 9,044,519	\$ 990,811	\$ 157,931	\$ 10,193,261
Intergovernmental	18,375,007	108,085	1,920,725	20,403,817
Investment Income	78,679	0	1,957	80,636
Tuition and Fees	2,145,523	0	0	2,145,523
Extracurricular Activities	116,056	0	186,932	302,988
Charges for Services	0	0	489,329	489,329
Contributions and Donations	0	0	10,000	10,000
Payment in Lieu of Taxes	63,499	8,929	263,871	336,299
Miscellaneous	278,874	0	5,465	284,339
<i>Total Revenues</i>	<u>30,102,157</u>	<u>1,107,825</u>	<u>3,036,210</u>	<u>34,246,192</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	13,931,662	0	119,931	14,051,593
Special	3,412,731	0	809,071	4,221,802
Vocational	129,597	0	3,942	133,539
Student Intervention Services	2,165	0	0	2,165
Support Services:				
Pupils	623,943	0	135,077	759,020
Instructional Staff	12,198	0	18,730	30,928
Board of Education	691,694	19,926	3,287	714,907
Administration	2,541,877	0	0	2,541,877
Fiscal	516,795	0	0	516,795
Operation and Maintenance of Plant	2,274,723	0	270,341	2,545,064
Pupil Transportation	2,149,862	0	63,178	2,213,040
Central	315,684	0	0	315,684
Extracurricular Activities	9,310	0	210,324	219,634
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,165,940	1,165,940
Community Services	0	0	78,902	78,902
Capital Outlay	16,933	0	378,292	395,225
Debt Service:				
Principal Retirement	0	466,933	0	466,933
Interest and Fiscal Charges	0	531,646	0	531,646
Issuance Costs	0	112,623	0	112,623
<i>Total Expenditures</i>	<u>26,629,174</u>	<u>1,131,128</u>	<u>3,257,015</u>	<u>31,017,317</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,472,983</u>	<u>(23,303)</u>	<u>(220,805)</u>	<u>3,228,875</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	7,965,000	0	7,965,000
Premium on Debt Issuance	0	1,157,460	0	1,157,460
Payment to Refunded Bond Escrow Agent	0	(9,009,031)	0	(9,009,031)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>113,429</u>	<u>0</u>	<u>113,429</u>
<i>Net Change in Fund Balance</i>	3,472,983	90,126	(220,805)	3,342,304
<i>Fund Balances Beginning of Year</i>	<u>4,437,022</u>	<u>2,475,562</u>	<u>2,720,512</u>	<u>9,633,096</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,910,005</u>	<u>\$ 2,565,688</u>	<u>\$ 2,499,707</u>	<u>\$ 12,975,400</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	3,342,304
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 905,867	
Current Year Depreciation	<u>(2,930,465)</u>	(2,024,598)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(3,986)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(23,508)	
Intergovernmental	<u>316,531</u>	293,023
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bond Principal	466,933	
Accreted Interest	28,067	
Payment to Refunded Bond Escrow Agent	<u>9,009,031</u>	9,504,031
Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
Proceeds of Refunding Bonds	(7,965,000)	
Premium on Refunding Bonds	(1,157,460)	
Accounting Gain/Loss on Refunding	<u>26,825</u>	(9,095,635)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	9,695	
Amortization of Premium on Bonds	58,900	
Amortization of Discount on Bonds	(1,048)	
Amortization of Refunding Loss	<u>(85,450)</u>	(17,903)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,169,038
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,702,955)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(392,041)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(39,820)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(65,116)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u>1,966,342</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 6,423,289	\$ 8,156,470	\$ 8,156,368	\$ (102)
Intergovernmental	17,430,194	18,418,621	18,392,282	(26,339)
Investment Income	38,775	49,575	55,248	5,673
Tuition and Fees	2,104,411	2,118,011	2,109,178	(8,833)
Extracurricular Activities	6,667	10,467	10,585	118
Payment in Lieu of Taxes	63,499	63,499	63,499	0
Miscellaneous	97,238	225,000	228,211	3,211
<i>Total Revenues</i>	<u>26,164,073</u>	<u>29,041,643</u>	<u>29,015,371</u>	<u>(26,272)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	13,832,641	13,840,956	14,178,583	(337,627)
Special	3,234,777	3,234,777	3,402,766	(167,989)
Vocational	273,360	273,359	153,588	119,771
Student Intervention Services	1,247	1,247	2,165	(918)
Support Services:				
Pupils	715,326	715,326	699,906	15,420
Instructional Staff	40,324	36,822	33,099	3,723
Board of Education	606,869	606,869	732,546	(125,677)
Administration	2,411,894	2,409,063	2,472,207	(63,144)
Fiscal	516,965	516,965	537,088	(20,123)
Operation and Maintenance of Plant	2,279,595	2,279,595	2,450,967	(171,372)
Pupil Transportation	2,160,582	2,160,582	2,319,494	(158,912)
Central	349,341	349,341	353,541	(4,200)
Capital Outlay	637	637	19,708	(19,071)
<i>Total Expenditures</i>	<u>26,423,558</u>	<u>26,425,539</u>	<u>27,355,658</u>	<u>(930,119)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(259,485)</u>	<u>2,616,104</u>	<u>1,659,713</u>	<u>(956,391)</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	0	42,897	42,897
Advances In	400,000	400,000	15,800	(384,200)
Advances Out	(35,859)	(35,859)	(266,358)	(230,499)
Transfers Out	(1,470,000)	(1,470,000)	0	1,470,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,105,859)</u>	<u>(1,105,859)</u>	<u>(207,661)</u>	<u>898,198</u>
<i>Net Change in Fund Balance</i>	(1,365,344)	1,510,245	1,452,052	(58,193)
<i>Fund Balance Beginning of Year</i>	3,608,778	3,608,778	3,608,778	0
Prior Year Encumbrances Appropriated	857,737	857,737	857,737	0
<i>Fund Balance End of Year</i>	<u>\$ 3,101,171</u>	<u>\$ 5,976,760</u>	<u>\$ 5,918,567</u>	<u>\$ (58,193)</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*June 30, 2016*

	Enterprise Scottie Kid's Club Fund	Governmental Activities Internal Service Fund
<b>Assets</b>		
<i>Current Assets</i>		
Equity in Pooled Cash and Investments	\$ 13,194	\$ 668,946
<b>Liabilities</b>		
<i>Current Liabilities</i>		
Accounts Payable	501	48,969
Accrued Wages and Benefits	2,352	0
Intergovernmental Payable	639	0
Claims Payable	0	279,323
Compensated Absences Payable	2,344	0
<i>Total Current Liabilities</i>	<u>5,836</u>	<u>328,292</u>
<i>Long-Term Liabilities</i>		
Advances from Other Funds	0	460,515
<i>Total Long-Term Liabilities</i>	<u>0</u>	<u>460,515</u>
<i>Total Liabilities</i>	<u>5,836</u>	<u>788,807</u>
<b>Net Position</b>		
Unrestricted	<u>\$ 7,358</u>	<u>\$ (119,861)</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2016*

	Enterprise <u>Scottie Kid's Club Fund</u>	Governmental Activities <u>Internal Service Fund</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 128,633	\$ 3,879,727
<b>Operating Expenses</b>		
Salaries and Wages	105,598	0
Fringe Benefits	7,915	0
Purchased Services	3,823	564,708
Materials and Supplies	10,015	0
Claims	0	3,707,060
<i>Total Operating Expenses</i>	<u>127,351</u>	<u>4,271,768</u>
<i>Operating Income (Loss)</i>	1,282	(392,041)
<i>Net Position Beginning of Year</i>	<u>6,076</u>	<u>272,180</u>
<i>Net Position End of Year</i>	<u>\$ 7,358</u>	<u>\$ (119,861)</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2016

	<u>Enterprise</u>	<u>Governmental</u>
	Scottie Kid's	Internal
	Club Fund	Service Fund
<b>Cash Flows From Operating Activities</b>		
Cash Received from Customers	\$ 128,633	\$ 3,879,727
Cash Paid for Goods and Services	(14,113)	(559,645)
Cash Paid to Employees for Services and Benefits	(112,502)	0
Cash Paid for Claims	0	(3,600,686)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>2,018</u>	<u>(280,604)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	2,018	(280,604)
<i>Cash and Investments, Beginning of Year</i>	<u>11,176</u>	<u>949,550</u>
<i>Cash and Investments, End of Year</i>	<u>\$ 13,194</u>	<u>\$ 668,946</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>		
Operating Income (Loss)	\$ 1,282	\$ (392,041)
Adjustments:		
Increase (Decrease) in Liabilities:		
Accounts Payable	(275)	5,063
Accrued Wages and Benefits	320	0
Intergovernmental Payable	447	0
Claims Payable	0	106,374
Compensated Absences Payable	244	0
<i>Total Adjustments</i>	<u>736</u>	<u>111,437</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 2,018</u>	<u>\$ (280,604)</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2016*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 104,957	\$ 88,516
<b>Liabilities</b>		
Accounts Payable	0	\$ 2,400
Undistributed Monies	0	10,000
Due to Students	0	76,116
<i>Total Liabilities</i>	0	\$ 88,516
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 104,957	

See accompanying notes to the basic financial statements.



**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Private Purpose Trust
<b>Additions</b>	
Miscellaneous	\$ 250
Investment Earnings	2,079
<i>Total Additions</i>	2,329
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	4,070
<i>Change in Net Position</i>	(1,741)
<i>Net Position Beginning of Year</i>	106,698
<i>Net Position End of Year</i>	\$ 104,957

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1966. The School District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum and Madison Townships and a portion of Licking, Virginia, and Washington Townships. The School District currently operates 11 instructional/support buildings.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Tri-Valley Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources;(3) the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, the Metropolitan Educational Council (MEC), and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Benefits Cooperative, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 14 and 15.

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

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

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of Net Position presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise 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. The internal service fund is presented in a separate column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**General Fund** The General Fund accounts 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.

**Debt Service Fund** The 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.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**Proprietary Fund Type** Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. The following are the School District's proprietary fund types:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's major enterprise fund is:

**Scottie Kid's Club** This fund accounts for transactions made in connection with before and after school child care program, formerly known as "Latch-Key."

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical, prescription drug and dental claims.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and assets held by the School District as an agent for outside activities.

**C. Measurement Focus**

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

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

Like the government-wide statements, the proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the fund are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

***D. Basis of Accounting***

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

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

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

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

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***Deferred Inflows of Resources and Deferred Outflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

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

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

***E. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

***F. Cash and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary 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 Investments" on the financial statements.

During fiscal year 2016, investments were limited to certificates of deposit, Federal National Mortgage Association bonds and notes, Federal Farm Credit Bank notes, Federal Home Loan Bank notes, a money market account, and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for non negotiable certificates of deposit and nonparticipating investment contracts such as repurchase agreements, which are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.

Under existing Ohio statutes, all investment earnings are assigned to the general fund except for those specifically related to the building capital projects fund (a nonmajor governmental fund), or certain trust funds individually authorized by board resolution. Investment earnings (including fair market value adjustments for investments) credited to the general fund during fiscal year 2016 amounted to \$78,679 which includes \$38,919 assigned from other School District funds.

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

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***G. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” Receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as “internal balances”.

***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

***I. Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 30 Years
Buildings and Improvements	10 - 50 Years
Furniture, Fixtures and Equipment	5 - 10 Years
Vehicles	5 - 10 Years
Infrastructure	10 Years

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for vacation time when earned.



**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***K. Pensions***

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

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

***M. Bond Discounts and Premiums***

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Interest on the capital appreciation bonds is accreted over the term of the bonds.

On the governmental fund financial statements, bond premiums and bond discounts are recognized in the period in which debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
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***N. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities and grants.

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

***O. Fund Balance***

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

***P. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

***Q. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for child care and self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

***S. Estimates***

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

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***T. Implementation of New Accounting Policies***

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

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

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

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

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

**Note 3 – Accountability**

Fund balances at June 30, 2016 included the following individual fund deficits:

<i>Non-Major Governmental Funds:</i>	
Fitness Center	\$ 176,047
IDEA Part B	233,791
Title I	158,004
Improving Teacher Quality	33,416
 <i>Proprietary Fund:</i>	
Internal Service	119,861

The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

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**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

GAAP Basis	\$	3,472,983
Net Adjustment for Revenue Accruals		(968,092)
Net Adjustment for Expenditure Accruals		(251,312)
Funds Budgeted Elsewhere		(4,769)
Adjustment for Encumbrances		<u>(796,758)</u>
Budget Basis	\$	<u>1,452,052</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes flower, uniform school supplies, summer basketball camp, underground storage tank deductible and public school support funds.

**Note 5 - Deposits and Investments**

State statute classifies 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.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may 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;
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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 40 percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2016, the School District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$10,936,895. At fiscal year end, \$1,054,385 of the School District's bank balance of \$11,225,343 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as 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 the deposits being secured.

***Investments***

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

S & P Global Rating	Investment Type	Measurement Amount	Investment Maturities			Percent of Total
			12 Months or Less	12 to 36 Months	More Than 36 Months	
AA+	Federal National Mortgage Association	\$ 502,786	\$ 0	\$ 502,786	\$ 0	23.90%
AA+	Federal Farm Credit Bank	500,031	0	500,031	0	23.77%
AA+	Federal Home Loan Bank	253,008	0	0	253,008	12.02%
AAAm	STAR Ohio	52,144	52,144	0	0	2.48%
AAA	Money Market	795,806	795,806	0	0	37.83%
	Total	<u>\$ 2,103,775</u>	<u>\$ 847,950</u>	<u>\$ 1,002,817</u>	<u>\$ 253,008</u>	<u>100.00%</u>

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

**Interest Rate Risk** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016, is 49 days.

**Credit Risk** The School District's investments at June 30, 2016 are rated as shown above by S & P Global Rating. The School District has no investment policy that would further limit its investment choices. The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated Aaa by Moody's Investor Services.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk** The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage to total of each investment type held by the School District at June 30, 2016.

#### **Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. 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.



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Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Coshocton and Muskingum Counties. The County Auditors periodically advance 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 as an advance at June 30, 2016 in the general, debt service and classroom facilities maintenance (a non-major governmental fund) funds were \$3,165,422, \$343,794, and \$46,155, respectively. The amount available for advance at June 30, 2015, in the general, debt service and classroom facilities maintenance (a non-major governmental fund) funds were \$2,277,271, \$289,310, and \$43,975, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

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
Real Estate	\$ 299,311,280	85.73%	\$ 331,512,580	84.78%
Public Utility Personal Property	49,824,410	14.27%	59,511,710	15.22%
Total Assessed Values	<u>\$ 349,135,690</u>	<u>100.00%</u>	<u>\$ 391,024,290</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 39.05</u>		<u>\$ 38.55</u>	

**Note 7 - Receivables**

Receivables at June 30, 2016, consisted of property taxes, interfund, revenue in lieu of taxes and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year.

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In prior years, tax abatement agreements were entered into between Muskingum County, various townships and local businesses and were accepted by the School District to encourage economic growth in the County. In return for the abatements, the businesses agreed to make payments in lieu of taxes to the School District. Each agreement states a specified percentage that the businesses will pay based on the amount of real property taxes the School District would have received. The receivables have been recorded in the funds pursuant to the agreements. The receivable is recorded in the amount the School District will receive in the subsequent fiscal year.

**Note 8 - Capital Assets**

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

	Balance 06/30/2015	Additions	Deletions	Balance 06/30/2016
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 4,020,160	\$ 0	\$ 0	\$ 4,020,160
Construction in Progress	0	13,986	0	13,986
<i>Total Capital Assets not being Depreciated</i>	4,020,160	13,986	0	4,034,146
<i>Capital Assets being depreciated</i>				
Land Improvements	2,442,001	209,942	0	2,651,943
Buildings and Improvements	71,151,735	155,625	0	71,307,360
Furniture, Fixtures and Equipment	3,848,266	106,089	(10,398)	3,943,957
Vehicles	2,908,091	420,225	(177,474)	3,150,842
Infrastructure	42,213	0	0	42,213
<i>Total Capital Assets Being Depreciated</i>	80,392,306	891,881	(187,872)	81,096,315
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(943,635)	(142,196)	0	(1,085,831)
Buildings and Improvements	(23,709,858)	(2,271,520)	0	(25,981,378)
Furniture, Fixtures and Equipment	(2,911,307)	(295,285)	6,412	(3,200,180)
Vehicles	(1,962,789)	(217,243)	177,474	(2,002,558)
Infrastructure	(15,152)	(4,221)	0	(19,373)
<i>Total Accumulated Depreciation</i>	(29,542,741)	(2,930,465) *	183,886	(32,289,320)
<i>Total Capital Assets Being Depreciated, Net</i>	50,849,565	(2,038,584)	(3,986)	48,806,995
<i>Governmental Activities Capital Assets, Net</i>	\$ 54,869,725	\$ (2,024,598)	\$ (3,986)	\$ 52,841,141

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,581,967
Special	189,186
Vocational	78,894
Support Services:	
Pupils	43,159
Instructional Staff	140,834
Board of Education	16,137
Administration	190,983
Fiscal	2,272
Operation and Maintenance of Plant	100,731
Pupil Transportation	216,572
Central	60,928
Operation of Non-Instructional Services:	
Food Service Operations	83,550
Community Services	56,788
Extracurricular Activities	168,464
<i>Total Depreciation</i>	<u>\$ 2,930,465</u>

**Note 9 - 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 contracts with Ohio Casualty Insurance Company for property and fleet insurance. Coverage provided by Ohio Casualty Insurance Company follows:

Building and Contents (\$2,500 deductible)	\$ 110,630,048
Automotive Liability (\$1,000 comprehensive/collision)	1,000,000
General Liability:	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000
Products/Completed Operations Aggregate Limit	3,000,000
Professional Liability	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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***B. Employee Medical Benefits***

Medical, surgical and dental insurance is offered to all full-time employees through a self insurance internal service fund. The School District participates with the Ohio School Benefits Cooperative with Medical Mutual serving as the third-party administrator for the plan. Stop-loss coverage is purchased for individual claims above \$100,000 and in aggregate \$5,186,610. With the stop loss coverage, the School District's total maximum liability for the 2016 plan year is \$5,792,442. The School District pays 80 percent of family premiums and 100 percent of single premiums for the medical/surgical and prescription drug coverage which are \$1,539.37 for family coverage or \$607.92 for individual coverage per month. The premium is paid to the internal service fund by the fund that pays the salary for the covered employee.

The School District also pays 80 percent of family premiums and 100 percent of single premiums for the dental premiums which are \$104.54 for family coverage or \$40.21 for individual coverage.

The claims liability of \$279,323 reported in the internal service fund at June 30, 2016 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in fund's claims liability for the fiscal years 2015 and 2016 are as follows:

		<u>Balance</u> <u>Beginning of Year</u>		<u>Current</u> <u>Year Claims</u>		<u>Claims</u> <u>Payments</u>		<u>Balance</u> <u>End of Year</u>
2015	\$	336,329	\$	3,349,321	\$	3,512,701	\$	172,949
2016	\$	172,949	\$	3,707,060	\$	3,600,686	\$	279,323

***C. Workers' Compensation***

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool (Note 15). 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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**Note 10 – Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***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](http://www.ohsers.org) under Employers/Audit Resources.

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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 years 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. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$727,766 for fiscal year 2016. Of this amount, \$50,801 is reported as an intergovernmental payable

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

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

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 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 \$1,441,272 for fiscal year 2016. Of this amount, \$246,200 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 27,536,570	\$ 7,497,560	\$ 35,034,130
Proportion of the Net Pension Liability	0.09963634%	0.13139560%	
Pension Expense	\$ 1,158,831	\$ 544,124	\$ 1,702,955

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 1,257,822	\$ 121,791	\$ 1,379,613
School District contributions subsequent to the measurement date	1,441,272	727,766	2,169,038
<b>Total Deferred Outflows of Resources</b>	<u>\$ 2,699,094</u>	<u>\$ 849,557</u>	<u>\$ 3,548,651</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 2,028,486	\$ 268,805	\$ 2,297,291
Changes in proportion	325,861	146,454	472,315
<b>Total Deferred Inflows of Resources</b>	<u>\$ 2,354,347</u>	<u>\$ 415,259</u>	<u>\$ 2,769,606</u>

\$2,169,038 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:



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Fiscal Year Ending June 30:	STRS	SERS	Total
2017	\$ (543,569)	\$ (143,441)	\$ (687,010)
2018	(543,569)	(143,441)	(687,010)
2019	(543,572)	(144,024)	(687,596)
2020	534,185	137,437	671,622
	<u>\$ (1,096,525)</u>	<u>\$ (293,468)</u>	<u>\$ (1,389,993)</u>

***Actuarial Assumptions - SERS***

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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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 average 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 asset 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
	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 earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 10,396,422	\$ 7,497,560	\$ 5,056,480

**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:

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Inflation	2.75 percent
Projected Salary Increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 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:

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments 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:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 38,250,373	\$ 27,536,570	\$ 18,476,452

**Note 11 - Postemployment Benefits**

***A. 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](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care Fund. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$69,978, \$107,158 and \$73,103, respectively. For fiscal year 2016, 93 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits

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include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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 \$107,063, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**Note 12 - Other Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 15 days per year, with a total maximum accumulation of 260 days. Upon retirement, certified employees are eligible for payment of 25 percent of unused sick leave. Classified employees, upon retirement, are eligible for payment of 25 percent of unused sick leave.

***B. Other Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Term life insurance coverage is \$50,000 with an additional \$50,000 of accidental death and dismemberment coverage for certified and non-certified staff. For administrators, coverage is calculated at \$1,000 for every \$1,000 earned with a maximum of \$50,000. Coverage is provided by Assurant Employee Benefits. The rate is \$6.00 per month for all employees.

An additional employee benefit which is offered through the School District is vision insurance through Vision Service Plan, Inc. The monthly rate is \$6.74 for single and \$5.24 for family for all employees.

***C. Retirement Incentive***

Certified employees with 30 years or more of retirement credit shall be eligible for a \$10,000 retirement incentive providing the employee retires by July 1, of the school year in which they first become eligible for retirement. This incentive is being phased out over the 2016 and 2017 fiscal years. Payments for retirements occurring after July 1, 2016 and before May 31, 2017 will be \$5,000. Any retirements effective after May 31, 2017 will not be eligible for a severance incentive bonus. Also, if the employee gives the School District notice of retirement prior to March 1 within the fiscal year of their retirement, then the employee is entitled to five days of additional pay.

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**Note 13 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Outstanding 6/30/2015	Additions	Deductions	Outstanding 6/30/2016	Due In One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds:</i>					
2002 School Improvement Bonds, \$18,500,000					
Term Bonds - 4.25%, \$14,620,000	\$ 2,675,000	\$ 0	\$ 420,000	\$ 2,255,000	\$ 470,000
Bond Premium, \$228,153	45,691	0	9,139	36,552	0
Total 2002 School Improvement Bonds	<u>2,720,691</u>	<u>0</u>	<u>429,139</u>	<u>2,291,552</u>	<u>470,000</u>
2006 Advance Refunding Bonds, \$9,254,993					
Serial Bonds - 4.1-4.4%, \$7,130,000	7,130,000	0	7,130,000	0	0
Term Bonds - 4.25%, \$1,695,000	1,695,000	0	1,695,000	0	0
Capital Appreciation Bonds - 30.656% \$429,993	3,387	0	1,933	1,454	1,454
CAB Accretion - \$1,070,007	43,330	9,962	28,067	25,225	25,225
CAB Premium - \$778,859	486,790	0	486,790	0	0
Serial/Term Bond Discount - \$43,312 & \$4,408	(29,828)	0	(29,828)	0	0
Total 2006 Advance Refunding Bonds	<u>9,328,679</u>	<u>9,962</u>	<u>9,311,962</u>	<u>26,679</u>	<u>26,679</u>
2007 Advance Refunding Bonds, \$3,084,995					
Serial Bonds - 4.0%, \$1,135,000	775,000	0	45,000	730,000	50,000
Term Bonds - 4.0%, \$1,900,000	1,900,000	0	0	1,900,000	0
Capital Appreciation Bonds - 20.747%, \$49,995	49,995	0	0	49,995	0
CAB Accretion - \$685,005	202,194	55,154	0	257,348	0
Serial/CAB Premium - \$4,345 & \$364,567	195,304	0	21,701	173,603	0
Serial/Term Bond Discount - \$6,817 & \$11,001	(9,434)	0	(1,048)	(8,386)	0
Total 2007 Advance Refunding Bonds	<u>3,113,059</u>	<u>55,154</u>	<u>65,653</u>	<u>3,102,560</u>	<u>50,000</u>
2016 Current Refunding Bonds, \$7,965,000					
Serial Bonds - 2.00-4.00% . \$7,965,000	0	7,965,000	0	7,965,000	20,000
Bond Premium, \$1,157,460	0	1,157,460	28,060	1,129,400	0
Total 2016 Current Refunding Bonds	<u>0</u>	<u>9,122,460</u>	<u>28,060</u>	<u>9,094,400</u>	<u>20,000</u>
Total General Obligation Bonds	<u>15,162,429</u>	<u>9,187,576</u>	<u>9,834,814</u>	<u>14,515,191</u>	<u>566,679</u>
<i>Net Pension Liability:</i>					
SERS	6,817,343	680,217	0	7,497,560	0
STRS	24,581,555	2,955,015	0	27,536,570	0
Total Net Pension Liability	<u>31,398,898</u>	<u>3,635,232</u>	<u>0</u>	<u>35,034,130</u>	<u>0</u>
Compensated Absences	1,424,836	244,564	204,744	1,464,656	356,288
<i>Total Governmental Long-Term Liabilities</i>	<u>\$ 47,986,163</u>	<u>\$ 13,067,372</u>	<u>\$ 10,039,558</u>	<u>\$ 51,013,977</u>	<u>\$ 922,967</u>
<b>Business-Type Activities</b>					
Compensated Absences	\$ 2,100	\$ 244	\$ 0	\$ 2,344	\$ 2,344
<i>Total Business-Type Long-Term Liabilities</i>	<u>\$ 2,100</u>	<u>\$ 244</u>	<u>\$ 0</u>	<u>\$ 2,344</u>	<u>\$ 2,344</u>

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Compensated absences for governmental activities will be paid from the general fund and the food service special revenue fund and compensated absences for business-type activities will be paid from the Scottie Kid’s Club Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. General obligation bonds will be paid from the debt service fund.

*2002 General Obligation Bonds* – On March 28, 2002, the School District issued \$18,500,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amount of \$3,880,000 and \$14,620,000 respectively. During fiscal year 2006, the School District advance refunded \$760,000 of the serial bonds, and \$8,495,000 of the term bonds. During fiscal year 2007, the School District advance refunded an additional \$3,085,000 of the term bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds were removed from the financial statements of the School District.

The serial and a portion of the term bonds were originally sold at a premium of \$228,153, of which \$118,803 remained outstanding after the refunding issues. The remaining premium will be amortized over the remaining life of the bonds. The original bonds were issued for a 28-year period with a final maturity at December 1, 2029. After the advance refunding issues, the bonds that remained outstanding have a final maturity at December 1, 2019.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building. The School District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every 5 years for the term of the bonds.

Principal and interest requirements to retire general obligation bonds for the outstanding 2002 School Improvement Bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30	Term Bonds		
	Principal	Interest	Total
2017	\$ 470,000	\$ 111,100	\$ 581,100
2018	530,000	83,599	613,599
2019	595,000	52,662	647,662
2020	660,000	18,150	678,150
Total	\$ 2,255,000	\$ 265,511	\$ 2,520,511

*2006 Advance Refunding General Obligation Bonds* – The School District has previously issued 2002 school improvement general obligation bonds for school improvements that were partially refunded through the 2006 school improvement refunding general obligation bonds. At the date of refunding, \$9,835,130 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Improvement Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements.

On March 3, 2016 the School District refunded \$8,825,000 of 2006 advance refunding general obligation serial and term bonds.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

The capital appreciation bonds for the 2006 issue mature December 1, 2006 through December 1, 2016. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, accretion is reflected as a liability. The maturity amount of the capital appreciation bonds was \$1,500,000. For fiscal year 2016, \$9,962 was accreted and \$28,067 of the accretion matured, leaving a total bond liability of \$26,679.

Principal and interest requirements to retire general obligation bonds for the 2006 School Improvement Refunding Bonds outstanding at June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Capital Appreciation Bonds</u>	
	<u>Principal</u>	<u>Accretion</u>
2017	\$ 1,454	\$ 28,546

*2007 Advance Refunding General Obligation Bonds* – On April 19, 2007, the School District issued \$3,084,995 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 17 year period with final maturity at December 1, 2023. The serial and term refunding bonds were issued with a discount of \$17,818 which is reported as a decrease to bonds payable. The serial and capital appreciation refunding bonds were issued with a premium of \$368,912 which is reported as an increase to bonds payable. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$257,237. This difference, reported in the accompanying financial statements as a deferred outflow of resources is being amortized to interest expense over the life of the bonds using the straight-line method.

The 2007 bond issue consists of serial, term and capital appreciation bonds. The current interest term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2018	\$ 55,000
2019	55,000
2020	55,000
2021	830,000
	<u>\$ 995,000</u>

The remaining principal amount of such current interest bonds, \$905,000, will be paid at stated maturity on December 1, 2022.

The current interest bonds maturing on or after December 1, 2017 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after June 1, 2017, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation bonds for the 2007 issue mature December 1, 2020. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is



**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

reflected as a liability. The maturity amount of the bonds is \$735,000. For fiscal year 2016, \$55,154 was accreted, for a total bond liability of \$307,343.

Principal and interest requirements to retire general obligation bonds for the 2007 School Improvement Refunding Bonds outstanding at June 30, 2016 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2017	\$ 50,000	\$ 104,200	\$ 0	\$ 0	\$ 50,000	\$ 104,200
2018	50,000	102,200	0	0	50,000	102,200
2019	55,000	100,100	0	0	55,000	100,100
2020	55,000	97,900	0	0	55,000	97,900
2021	55,000	95,700	49,995	685,005	104,995	780,705
2022-2024	2,365,000	133,900	0	0	2,365,000	133,900
<i>Totals</i>	<u>\$ 2,630,000</u>	<u>\$ 634,000</u>	<u>\$ 49,995</u>	<u>\$ 685,005</u>	<u>\$ 2,679,995</u>	<u>\$ 1,319,005</u>

*2016 Current Refunding General Obligation Bonds* – On March 3, 2016, the School District issued \$7,965,000 of general obligation bonds that were issued to refund the 2006 advance refunding general obligation bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2029 with a varying interest rate of 2.00-4.00 percent. At the date of refunding, \$9,009,031 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. The refunded bonds were called on June 1, 2016.

The serial refunding bonds were issued with a premium of \$1,157,460 which is reported as an increase to bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2016 was \$28,060.

The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$1,044,031. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,862,773. The issuance resulted in an economic gain of \$1,576,609.

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

Fiscal Year	Serial/Term Bonds	
	Principal	Interest
2017	\$ 20,000	\$ 290,200
2018	0	290,000
2019	0	290,000
2020	0	290,000
2021	0	290,000
2022-2026	2,505,000	1,379,300
2027-2030	5,440,000	455,200
<i>Totals</i>	<u>\$ 7,965,000</u>	<u>\$ 3,284,700</u>

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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*Advance Refunding General Obligation Bonds* – The School District had previously issued 2002 school improvement general obligation bonds for school improvements that were partially refunded through the 2006 school improvement refunding general obligation bonds and 2007 general obligation advance refunding bonds. At the date of the 2007 refunding, \$3,346,035 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Improvement Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements. All defeased debt related to the refundings was fully called and repaid in fiscal year 2012.

**Note 14 - Jointly Governed Organizations**

*Licking Area Computer Association* – Licking Area Computer Association (LACA) is a jointly governed organization of a two county consortium of school districts. LACA is an association which serves 14 entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools and education service centers. 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 continued existence of LACA is not dependent on the School District’s continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association’s capital assets. The School District’s total payments to LACA for fiscal year 2016 were \$207,549. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

*Mid-East Ohio Career and Technology Center* – The Mid-East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school district’s elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Career and Technology Center. The School District did not make any payments to the Mid-East Ohio Career and Technology Center for fiscal year 2016. To obtain financial information, write to the Mid-East Ohio Career and Technology Center, Rick White, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

*Metropolitan Educational Council (MEC)* – The Metropolitan Education Council is a consortium of school districts and related agencies in Ohio. The organization is comprised of 193 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District’s membership payment to MEC for fiscal year 2016 was \$608. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 City Gate Dr., Suite 604, Columbus, Ohio 43219.

*Coalition of Rural and Appalachian Schools* – The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess the development programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. During fiscal year 2016, the School District made payments of

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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\$415 to the Coalition of Rural and Appalachian Schools. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**Note 15 – Public Entity Pools**

**A. Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Claims Servicing Pool**

*Ohio School Benefits Cooperative* – The School District participates in the Ohio School Benefits Cooperative, a claims servicing and a group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. The OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, like and/or other types of group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees, and propose to have certain other eligible school districts or groups join them for the same purposes. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

**Note 16 - Set-Asides**

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2015	\$ 0
Current Year Set-aside Requirement	553,885
Current Year Qualifying Disbursements	(778,085)
Totals	\$ (224,200)
Balance Carried Forward to Fiscal Year 2017	\$ 0
Set-aside Restricted Balance as of June 30, 2016	\$ 0

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. This extra amount may not be carried forward. The School District has prior year bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

**Note 17 – Interfund Balances**

As of June 30, 2016, receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	Interfund Receivable	Interfund Payable	Advances to Other Funds	Advances from Other Funds
General	\$ 266,358	\$ 0	\$ 604,002	\$ 0
Other Governmental:				
Fitness Center	0	33,492	0	143,487
IDEA Part B	0	172,386	0	0
Title I	0	50,719	0	0
Improving Teacher Quality	0	9,761	0	0
Internal Service	0	0	0	460,515
	\$ 266,358	\$ 266,358	\$ 604,002	\$ 604,002

The primary purpose of the interfund receivable/payable balances is to cover costs in specific funds where revenues were not received by June 30. These balances will be repaid once the anticipated revenues are received, which is expected to be within the next fiscal year.

In prior fiscal years, the School District made advances that were not repaid within the subsequent fiscal year, and were therefore reclassified as long-term advances to/from other funds. The School District intends to repay these advances when the funds become available.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the Statement of Net Position at June 30, 2016.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 18 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Debt Service	Other Governmental Funds	Total
Nonspendable for:				
Materials and Supplies Inventory	\$ 108,394	\$ 0	\$ 2,870	\$ 111,264
Advances to Other Funds	604,002	0	0	604,002
Total Nonspendable	<u>712,396</u>	<u>0</u>	<u>2,870</u>	<u>715,266</u>
Restricted for:				
Debt Service	0	2,565,688	0	2,565,688
Capital Outlay	0	0	1,873,354	1,873,354
Food Service	0	0	227,184	227,184
Maintenance of Facilities	0	0	830,044	830,044
Other Purposes	0	0	166,900	166,900
Total Restricted	<u>0</u>	<u>2,565,688</u>	<u>3,097,482</u>	<u>5,663,170</u>
Committed for:				
Underground Storage Tank	11,000	0	0	11,000
Capital Outlay	0	0	613	613
Total Committed	<u>11,000</u>	<u>0</u>	<u>613</u>	<u>11,613</u>
Assigned for:				
Instruction	96,570	0	0	96,570
Support Services	240,490	0	0	240,490
Operation and Maintenance	119,820	0	0	119,820
Other Purposes	139,550	0	0	139,550
Total Assigned	<u>596,430</u>	<u>0</u>	<u>0</u>	<u>596,430</u>
Unassigned	<u>6,590,179</u>	<u>0</u>	<u>(601,258)</u>	<u>5,988,921</u>
<i>Total Fund Balance (Deficit)</i>	<u><u>\$ 7,910,005</u></u>	<u><u>\$ 2,565,688</u></u>	<u><u>\$ 2,499,707</u></u>	<u><u>\$ 12,975,400</u></u>

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 19 – Contingencies and Commitments**

***A. Grants***

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

***B. Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

***C. School District Funding***

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

***D. Commitments***

Outstanding encumbrances for governmental funds include \$457,824 for the general fund and \$227,203 in non-major governmental funds.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Three Fiscal Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>			
School District's Proportion of the Net Pension Liability	0.09963634%	0.10106109%	0.10106109%
School District's Proportionate Share of the Net Pension Liability	\$ 27,536,570	\$ 24,581,555	\$ 29,281,387
School District's Covered-Employee Payroll	\$ 10,130,871	\$ 10,706,254	\$ 10,334,069
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	271.81%	229.60%	283.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
<b><i>School Employees Retirement System (SERS)</i></b>			
School District's Proportion of the Net Pension Liability	0.13139560%	0.13470500%	0.13470500%
School District's Proportionate Share of the Net Pension Liability	\$ 7,497,560	\$ 6,817,343	\$ 8,010,474
School District's Covered-Employee Payroll	\$ 4,695,668	\$ 4,685,750	\$ 4,358,186
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	159.67%	145.49%	183.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 1,441,272	\$ 1,418,322	\$ 1,391,813	\$ 1,343,429
Contributions in Relation to the Contractually Required Contribution	<u>(1,441,272)</u>	<u>(1,418,322)</u>	<u>(1,391,813)</u>	<u>(1,343,429)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	\$ 10,294,800	\$ 10,130,871	\$ 10,706,254	\$ 10,334,069
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
 <b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 727,766	\$ 618,889	\$ 649,445	\$ 603,173
Contributions in Relation to the Contractually Required Contribution	<u>(727,766)</u>	<u>(618,889)</u>	<u>(649,445)</u>	<u>(603,173)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	\$ 5,198,329	\$ 4,695,668	\$ 4,685,750	\$ 4,358,186
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

n/a - Information prior to 2008 is not available.



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,377,450	\$ 1,498,373	\$ 1,518,058	\$ 1,540,124	\$ 1,542,291	\$ 1,487,704
<u>(1,377,450)</u>	<u>(1,498,373)</u>	<u>(1,518,058)</u>	<u>(1,540,124)</u>	<u>(1,542,291)</u>	<u>(1,487,704)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 10,595,769	\$ 11,525,946	\$ 11,677,369	\$ 11,847,108	\$ 11,863,777	\$ 11,443,877
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 600,168	\$ 501,863	\$ 539,831	\$ 345,269	\$ 298,736	n/a
<u>(600,168)</u>	<u>(501,863)</u>	<u>(539,831)</u>	<u>(345,269)</u>	<u>(298,736)</u>	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
\$ 4,462,216	\$ 3,992,546	\$ 3,986,935	\$ 3,508,831	\$ 3,042,118	n/a
13.45%	12.57%	13.54%	9.84%	9.82%	n/a

December 7, 2016

To the Board of Education  
Tri-Valley Local School District  
Muskingum County, Ohio  
36 E. Muskingum Avenue  
Dresden, OH 43821

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the "School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 7, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Cambridge, Ohio

December 7, 2016

To the Board of Education  
Tri-Valley Local School District  
Muskingum County, Ohio  
36 E. Muskingum Avenue  
Dresden, OH 43821

**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required by the Uniform Guidance**

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

We have audited Tri-Valley Local School District's, Muskingum County, Ohio (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Tri-Valley Local School District, Muskingum County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

***Report on Internal Control over Compliance***

Management of School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

Cambridge, Ohio

**TRI-VALLEY LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Disbursements	Amount Paid to Subrecipients
<b>U. S. Department of Education: (Passed Through Ohio Department of Education)</b>				
Title I	84.010	2015	\$ 131,484	\$ 0
Title I	84.010	2016	480,705	0
Total Title I			612,189	0
IDEA-B	84.027	2015	75,524	0
IDEA-B	84.027	2016	343,292	0
Total IDEA-B			418,816	0
Title II-A	84.367	2015	18,540	0
Title II-A	84.367	2016	82,621	0
Total Title II-A			101,161	0
Total U.S. Department of Education			1,132,166	0
<b>U. S. Department of Agriculture: (Passed Through Ohio Department of Education)</b>				
<i>Nutrition Cluster</i>				
Non-Cash Assistance:				
School Breakfast Program	10.553	2016	18,472	0
Cash Assistance:				
School Breakfast Program	10.553	2016	131,437	0
Total School Breakfast Program			149,909	0
Non-Cash Assistance:				
National School Lunch Program	10.555	2016	71,112	0
Cash Assistance:				
National School Lunch Program	10.555	2016	505,843	0
Total National School Lunch Program			576,955	0
<i>Total Nutrition Cluster</i>			726,864	0
Total U.S. Department of Agriculture			726,864	0
Total Federal Assistance			\$ 1,859,030	\$ 0

See accompanying notes to the schedule of expenditures of federal awards.

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Notes To The Schedule of Expenditures Of Federal Awards*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Tri-Valley Local School District (the School District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Government.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**Tri-Valley Local School District**  
**Muskingum County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*June 30, 2016*

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

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Child Nutrition Cluster School Breakfast Program National School Lunch Program	CFDA # 10.553 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





# Dave Yost • Auditor of State

**TRI-VALLEY LOCAL SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 7, 2017**