



Dave Yost • Auditor of State

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Twin Valley Community Local School District
Preble County
100 Education Drive
West Alexandria, Ohio 45381

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio, as of June 30, 2017 and 2016, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 9, 2018

Twin Valley Community Local School District
Statement of Net Position - Modified Cash Basis
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$6,995,732
Nondepreciable Capital Assets	336,998
Depreciable Capital Assets, Net	8,833,346
<i>Total Assets</i>	16,166,076
Liabilities:	
Long-Term Liabilities:	
Due Within One Year	119,888
Due in More Than One Year	516,612
<i>Total Liabilities</i>	636,500
Net Position:	
Net Investment in Capital Assets	8,533,844
Restricted for:	
Debt Service	37,957
Capital Projects	2,279,692
Classroom Facilities	19,391
Lunchroom	64,779
Athletic	22,988
State and Federal Grants	10,648
Set-Asides	141,436
Unrestricted	4,418,841
<i>Total Net Position</i>	\$15,529,576

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District

Statement of Activities - Modified Cash Basis

For the Fiscal Year Ended June 30, 2017

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,245,386	\$635,210	\$40,244	(\$3,569,932)
Special	1,477,864	0	712,020	(765,844)
Vocational	187,067	0	12,819	(174,248)
Support Services:				
Pupils	535,713	0	28,161	(507,552)
Instructional Staff	217,265	0	0	(217,265)
Board of Education	95,713	0	0	(95,713)
Administration	756,646	0	2,084	(754,562)
Fiscal	340,968	0	0	(340,968)
Operation and Maintenance of Plant	954,462	0	0	(954,462)
Pupil Transportation	361,153	0	15,149	(346,004)
Central	107,500	0	5,400	(102,100)
Operation of Non-Instructional Services	387,985	150,933	292,017	54,965
Extracurricular Activities	306,379	124,015	0	(182,364)
Debt Service:				
Interest and Fiscal Charges	12,806	0	0	(12,806)
<i>Total Governmental Activities</i>	<u>\$9,986,907</u>	<u>\$910,158</u>	<u>\$1,107,894</u>	<u>(7,968,855)</u>

General Receipts:

Property Taxes Levied for:	
General Purposes	2,665,485
Debt Service	122,524
Capital Improvements	147,262
Other Purposes	17,165
Income Tax	1,792,438
Grants and Entitlements not Restricted to Specific Programs	5,430,355
Contributions and Donations not Restricted to Specific Programs	151,639
Interest	6,250
Miscellaneous	96,557
<i>Total General Receipts</i>	<u>10,429,675</u>
<i>Change in Net Position</i>	2,460,820
<i>Net Position at Beginning of Year</i>	<u>13,068,756</u>
<i>Net Position at End of Year</i>	<u>\$15,529,576</u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2017

	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$4,418,841	\$37,957	\$784,357	\$1,349,692	\$263,449	\$6,854,296
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	141,436	0	0	0	0	141,436
<i>Total Assets</i>	<u>\$4,560,277</u>	<u>\$37,957</u>	<u>\$784,357</u>	<u>\$1,349,692</u>	<u>\$263,449</u>	<u>\$6,995,732</u>
Fund Balances:						
Restricted	\$141,436	\$37,957	784,357	1,349,692	\$263,449	\$2,576,891
Committed	123,824	0	0	0	0	123,824
Assigned	158,644	0	0	0	0	158,644
Unassigned	4,136,373	0	0	0	0	4,136,373
<i>Total Fund Balances</i>	<u>\$4,560,277</u>	<u>\$37,957</u>	<u>\$784,357</u>	<u>\$1,349,692</u>	<u>\$263,449</u>	<u>\$6,995,732</u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities - Modified Cash Basis
 June 30, 2017*

Total Governmental Fund Balances \$6,995,732

*Amounts reported for governmental activities in the
 Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	336,998
Land Improvements	481,265
Buildings and Improvements	15,821,170
Furniture, Fixtures, and Equipment	1,506,195
Vehicles	796,203
Accumulated Depreciation	<u>(9,771,487)</u>

Total 9,170,344

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Tax Anticipation Notes	<u>(636,500)</u>
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Net Position of Governmental Activities \$15,529,576

See Accompanying Notes to the Basic Financial Statements

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Twin Valley Community Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Bond Retirement Fund	Building Fund
Receipts:			
Property Taxes	\$2,665,485	\$122,524	\$0
Income Tax	1,792,438	0	0
Tuition and Fees	603,342	0	0
Extracurricular Activities	24,407	0	0
Interest	6,083	0	51
Intergovernmental	5,080,693	20,894	0
Charges for Services	0	0	0
Rent	31,868	0	0
Contributions and Donations	151,639	0	0
Miscellaneous	96,557	0	0
<i>Total Receipts</i>	<u>10,452,512</u>	<u>143,418</u>	<u>51</u>
Disbursements:			
Current:			
Instruction:			
Regular	3,943,278	0	0
Special	1,128,037	0	0
Vocational	186,489	0	0
Support Services:			
Pupils	382,287	0	0
Instructional Staff	213,959	0	0
Board of Education	95,713	0	0
Administration	759,737	3,648	0
Fiscal	340,968	0	0
Operation and Maintenance of Plant	881,527	0	0
Pupil Transportation	507,294	0	0
Central	102,100	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	238,827	0	0
Capital Outlay	7,134	0	11,574
Debt Service:			
Principal Retirement	0	390,000	0
Interest and Fiscal Charges	0	8,775	0
<i>Total Disbursements</i>	<u>8,787,350</u>	<u>402,423</u>	<u>11,574</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,665,162</u>	<u>(259,005)</u>	<u>(11,523)</u>
Other Financing Sources (Uses):			
Transfers In	0	0	795,880
Advances In	37,054	0	0
Transfers Out	(809,082)	0	0
Long-Term Tax Anticipation Notes Issued	0	0	0
Advances Out	(57,247)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(829,275)</u>	<u>0</u>	<u>795,880</u>
<i>Net Change in Fund Balances</i>	835,887	(259,005)	784,357
<i>Fund Balances at Beginning of Year</i>	<u>3,724,390</u>	<u>296,962</u>	<u>0</u>
<i>Fund Balances at End of Year</i>	<u>\$4,560,277</u>	<u>\$37,957</u>	<u>\$784,357</u>

See Accompanying Notes to the Basic Financial Statements

Classroom Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$164,427	\$2,952,436
0	0	1,792,438
0	0	603,342
0	99,608	124,015
116	0	6,250
732,643	704,019	6,538,249
0	150,933	150,933
0	0	31,868
0	0	151,639
0	0	96,557
<u>732,759</u>	<u>1,118,987</u>	<u>12,447,727</u>
0	50,799	3,994,077
0	349,827	1,477,864
0	0	186,489
0	15,910	398,197
0	3,306	217,265
0	0	95,713
0	5,907	769,292
0	0	340,968
0	73,473	955,000
0	0	507,294
0	5,400	107,500
0	385,927	385,927
0	121,285	360,112
28,738	0	47,446
0	0	390,000
4,031	0	12,806
<u>32,769</u>	<u>1,011,834</u>	<u>10,245,950</u>
<u>699,990</u>	<u>107,153</u>	<u>2,201,777</u>
13,202	0	809,082
0	57,247	94,301
0	0	(809,082)
636,500	0	636,500
0	(37,054)	(94,301)
<u>649,702</u>	<u>20,193</u>	<u>636,500</u>
1,349,692	127,346	2,838,277
0	136,103	4,157,455
<u>\$1,349,692</u>	<u>\$263,449</u>	<u>\$6,995,732</u>

Twin Valley Community Local School District
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Fund Balances
of Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds \$2,838,277

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

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

Capital Outlay	369,242	
Current Fiscal Year Depreciation Disbursement	<u>(499,991)</u>	
Excess of Depreciation over Capital Outlay		(130,749)

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.

Loss on Disposal of Capital Assets	(208)
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Other financing sources, such as proceeds of bonds, loans, and notes, in the governmental funds increase long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Tax Anticipation Notes	(636,500)
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Repayment of long-term obligation bonds is a disbursement in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

General Obligation Bond Payments	<u>390,000</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$2,460,820</u></u>
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See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property Taxes	\$2,414,534	\$2,414,534	\$2,665,485	\$250,951
Income Tax	1,742,515	1,742,515	1,792,438	49,923
Tuition and Fees	516,000	516,000	603,342	87,342
Extracurricular Activities	25,000	25,000	24,407	(593)
Interest	4,500	4,500	6,083	1,583
Intergovernmental	4,728,000	4,728,000	5,080,693	352,693
Rent	30,000	30,000	31,868	1,868
Contributions and Donations	0	0	151,639	151,639
Miscellaneous	50,000	50,000	21,109	(28,891)
<i>Total Receipts</i>	<u>9,510,549</u>	<u>9,510,549</u>	<u>10,377,064</u>	<u>866,515</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,945,793	3,781,237	3,746,218	35,019
Special	1,071,466	1,148,664	1,138,026	10,638
Vocational	227,666	188,488	186,742	1,746
Other	240,000	257,906	255,517	2,389
Support Services:				
Pupils	597,615	386,489	382,910	3,579
Instructional Staff	240,630	216,194	214,192	2,002
Board of Education	81,900	96,608	95,713	895
Administration	696,458	771,038	763,897	7,141
Fiscal	432,596	346,652	343,442	3,210
Operation and Maintenance of Plant	744,083	1,095,510	1,085,364	10,146
Pupil Transportation	490,883	514,249	509,486	4,763
Central	119,748	103,054	102,100	954
Extracurricular Activities	232,764	241,312	239,077	2,235
Capital Outlay	0	7,201	7,134	67
<i>Total Disbursements</i>	<u>9,121,602</u>	<u>9,154,602</u>	<u>9,069,818</u>	<u>84,784</u>
<i>Excess of Receipts Over Disbursements</i>	<u>388,947</u>	<u>355,947</u>	<u>1,307,246</u>	<u>951,299</u>
Other Financing Sources (Uses):				
Advances In	0	0	37,054	37,054
Refund of Prior Year Disbursements	0	0	75,448	75,448
Advances Out	(20,000)	0	(57,247)	(57,247)
Transfers Out	(500)	(712,500)	(809,082)	(96,582)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,500)</u>	<u>(712,500)</u>	<u>(753,827)</u>	<u>(41,327)</u>
<i>Net Change in Fund Balance</i>	368,447	(356,553)	553,419	909,972
<i>Fund Balance at Beginning of Year</i>	3,650,871	3,650,871	3,650,871	0
<i>Prior Year Encumbrances Appropriated</i>	73,519	73,519	73,519	0
<i>Fund Balance at End of Year</i>	<u>\$4,092,837</u>	<u>\$3,367,837</u>	<u>\$4,277,809</u>	<u>\$909,972</u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2017

	Private Purpose Trust Funds	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$70,787	\$41,845
Liabilities:		
Undistributed Monies	0	\$600
Due to Students	0	41,245
Total Liabilities	0	\$41,845
Net Position:		
Held in Trust for Scholarships	\$70,787	

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Funds
Additions:	
Interest	\$231
Contributions	2,250
Miscellaneous	2,500
<i>Total Additions</i>	4,981
 Deductions:	
Payments in Accordance with Trust Agreements	2,500
 <i>Change in Net Position</i>	 2,481
 <i>Net Position at Beginning of Year</i>	 68,306
 <i>Net Position at End of Year</i>	 \$70,787

See Accompanying Notes to the Basic Financial Statements

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Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

The West Alexandria School District was formed in the early 1800's. On December 30, 1963, the Preble County Board of Education consolidated all of the schools located in Lanier, Harrison, and Twin Townships as Twin Valley School District. On June 1, 1983, the Preble County Board of Education split the Twin Valley School District, resulting in the formation of the present Twin Valley Community Local School District.

Twin Valley Community Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board of Education controls the School District's one instructional and administrative facility.

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

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

The School District participates in three jointly governed organizations and one shared risk pool. These organizations are presented in Note 13 and 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Southwest Ohio Computer Association
Southwestern Ohio Educational Purchasing Council
Preble County Professional Development Consortium

Shared Risk Pool:

Preble County Schools Regional Council of Governments

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Twin Valley Community Local School District are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The more significant of the School District's accounting policies are described below.

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 School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no activities that are classified as business-type.

The Statement of Net Position presents the cash balance, capital assets, and debt of the governmental activities of the School District at fiscal year-end. The government-wide Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

Governmental Funds

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

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

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund accounts for and reports property tax receipts and State reimbursements intended to offset tax exemptions to be used for the payment of general obligation bonded debt.

Building Capital Projects Fund – The Building Capital Projects Fund accounts for and reports all transactions restricted for constructing improvements, renovations and additions to the School District's buildings, including equipment, furniture, and fixtures.

Classroom Facilities Capital Projects Fund – The Classroom Facilities Capital Projects Fund accounts for and reports restricted monies received and expended in connection with constructing improvements, renovations and additions to the School District's buildings, including equipment, furniture, and fixtures.

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

Fiduciary Funds

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and disbursements for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Cash Equivalents

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

During fiscal year 2017, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio (the State Treasury Asset Reserve of 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. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAROhio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2017 amounted to \$6,083, which includes \$2,181 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Interfund Balances

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent amounts required by State Statute to be set aside for the acquisition and construction of capital Improvements.

Capital Assets

All capital assets of the School District are general capital assets associated with governmental activities. General capital assets usually result from disbursements 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.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-15 years
Buildings and Improvements	10-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-10 years

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.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

Long-Term Obligations

Long-term obligations are reported in the government-wide financial statements. The School District reported a liability for general obligation bonds, which arose from cash transactions.

Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are 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. The School District does not have any nonspendable fund balance.

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 the highest level of 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 the Board of Education. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for 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 good from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Budgetary Process

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, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within all funds.

The Certificate of Estimated Resources may be amended during the fiscal year if projected increases or decreases in receipts 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 of Estimated Resources 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 that was in effect at the time final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated receipts. The amounts reported as the original budgeted amounts in the budgetary statements 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, including all supplemental appropriations.

Estimates

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than restricted, committed or assigned fund balance (modified cash basis).

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

The following table summarizes the adjustment necessary to reconcile the modified cash basis statement to the budgetary basis statement for the General Fund.

	<u>Net Change in Fund Balance</u>
	<u>General</u>
Modified Cash Basis	\$835,887
Encumbrances	(282,468)
Budget Basis	<u><u>\$553,419</u></u>

Note 4 - Deposits and Investments

Monies held by the School District are classified by State Statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but that 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 held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

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. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2017, the School District's only investment was \$25,653 with STAROhio. The average maturity of STAROhio at June 30, 2017 was 45.5 days and is valued net asset value per share provided by STAROhio.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy follows State statute, which 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor's rated the School District's investment in STAROhio AAAM. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's 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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016 on the assessed value listed as of January 1, 2016, 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 semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected 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 Preble County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017 are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$118,848,550	93.36%	\$119,025,570	92.05%
Public Utility Personal	8,454,770	6.64%	10,276,280	7.95%
Total Assessed Value	<u>\$127,303,320</u>	<u>100.00%</u>	<u>\$129,301,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.00		\$38.85	

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 6 - Income Tax

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003 at 0.75 percent and was renewed in November 2013 for five years and November 2011 for five years. On January 1, 2014, the income tax rate increased to 1.5 percent. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

Note 7 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/17</u>
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$336,998	\$0	\$0	\$336,998
Capital Assets, Being Depreciated:				
Land Improvements	398,702	82,563	0	481,265
Buildings and Improvements	15,704,207	116,963	0	15,821,170
Furniture, Fixtures, and Equipment	1,484,271	21,924	0	1,506,195
Vehicles	707,336	147,792	(58,925)	796,203
Total Capital Assets, Being Depreciated	<u>18,294,516</u>	<u>369,242</u>	<u>(58,925)</u>	<u>18,604,833</u>
Less Accumulated Depreciation:				
Land Improvements	(316,815)	(17,213)	0	(334,028)
Buildings and Improvements	(7,262,641)	(338,847)	0	(7,601,488)
Furniture, Fixtures, and Equipment	(1,386,947)	(18,575)	0	(1,405,522)
Vehicles	(363,810)	(125,356)	58,717	(430,449)
Total Accumulated Depreciation	<u>(9,330,213)</u>	<u>(499,991) *</u>	<u>58,717</u>	<u>(9,771,487)</u>
Capital Assets, Being Depreciated, Net	<u>8,964,303</u>	<u>(130,749)</u>	<u>(208)</u>	<u>8,833,346</u>
Governmental Activities Capital Assets, Net	<u>\$9,301,301</u>	<u>(\$130,749)</u>	<u>(\$208)</u>	<u>\$9,170,344</u>

* Depreciation was charged to governmental functions as follows:

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Instruction:	
Regular	\$355,303
Vocational	578
Support Services:	
Operation and Maintenance of Plant	14,917
Pupil Transportation	124,662
Operation of Non-Instructional Services	2,058
Extracurricular Activities	2,473
Total Depreciation Disbursement	<u>\$499,991</u>

Note 8 - Risk Management

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. During fiscal year 2017, the School District contracted with Liberty Mutual for fleet insurance, school building, and contents.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior fiscal year.

Workers' Compensation

For fiscal year 2017, the School District pays the State Worker's Compensation System a premium for employee injury coverage. The premium is based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Hunter Consulting provides various services to the School District for workers' compensation.

Employee Medical Benefits

For fiscal year 2017, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$152,517 for fiscal year 2017.

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 system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 is 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$480,767 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	<u>0.03731130%</u>	<u>0.03208135%</u>	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.03507850%</u>	<u>0.03263707%</u>	
Change in Proportionate Share	<u>-0.00223280%</u>	<u>0.00055572%</u>	
Proportionate Share of the Net Pension Liability	\$2,567,423	\$10,924,611	\$13,492,034

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.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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, 2016, and June 30, 2015 are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$3,399,107	\$2,567,423	\$1,871,268

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 of future plan members, are excluded. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,517,920	\$10,924,611	\$7,893,443

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2017, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$17,887.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$17,887, \$0, and \$28,893, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 11 –Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Unused vacation cannot be carried forward to the succeeding fiscal year unless requested in writing to the superintendent to carry them forward. Teachers do not earn vacation time. Principals and administrators can get a portion of their vacation days paid out if not used.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred and twenty-one days for classified employees and certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-five and a fourth days for classified employees. For certified employees, they are entitled to the amount of unused sick days multiplied by their daily rate then by .35. Certified employees retiring at the completion of the school year when first eligible for retirement and who notify the Superintendent by March 15 of their plan to retire will receive an additional amount of \$10,000 and unused sick days shall be multiplied by their daily rate then by .35. One employee took advantage of this during the fiscal year.

Note 12 - Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17	Amounts Due in One Year
<u>Governmental Activities</u>					
School Improvement General Obligation Refunding Bonds 2007 - 4.25 - 4.50%	\$390,000	\$0	\$390,000	\$0	\$0
Permanent Improvement Tax Anticipation Notes 2017 - 3%	0	636,500	0	636,500	119,888
Total Long-Term Liabilities	\$390,000	\$636,500	\$390,000	\$636,500	\$119,888

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Twin Valley Community Schools School Improvement General Obligation Refunding Bonds

The 2007 Refunding Bonds were issued September 25, 2006, for the purpose of advance refunding \$1,940,000 of the \$3,125,000 outstanding school improvement general obligation bonds. The bonds will reach final maturity on December 1, 2016 and are being paid from the Bond Retirement Debt Service Fund. As a result, \$1,940,000 of the 1994 bonds are considered defeased, and the liability for the refunded portion of these bonds has been removed from the financial statements. The balance of the refunding bonds were fully repaid.

The 2017 Permanent Improvement Tax Anticipation Notes were issued March 15, 2017, for the purpose of building improvements. The notes were issued for \$636,500 and will mature on December 1, 2021. The notes will be paid from the Permanent Improvement Fund with property tax revenues.

The School District's overall legal debt margin was \$10,962,710 with an unvoted debt margin of \$129,302 at June 30, 2017.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	2017 Permanent Improvement Tax Anticipation Notes		
	Principal	Interest	Total
2018	\$119,888	\$17,297	\$137,185
2019	123,484	13,646	137,130
2020	127,189	9,886	137,075
2021	131,004	6,013	137,017
2022	134,935	2,024	136,959
Total	<u>\$636,500</u>	<u>\$48,866</u>	<u>\$685,366</u>

Note 13 - Jointly Governed Organizations

Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Clinton, Hamilton, Montgomery, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SWOCA \$50,925 for services provided during the fiscal year. Financial information can be obtained from Donna Davis Norris, Executive Director of SWOCA, at 3611 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts and educational service centers in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services, including dental insurance, commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

The Council exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Council. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to the SOEPC are made from the General Fund. During fiscal year 2017, the School District paid \$0 to the SOEPC. Each School District's degree of control is limited to its representation on the Council. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Preble County Professional Development Consortium

The School District is a participant in the Preble County Professional Development Consortium (PCPDC). PCPDC is an association of public school districts within the boundaries of Preble County. The organization was formed to improve staff development and instructional functions by making optimum use of public funds through cooperation of member public school districts. The governing board of PCPDC consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the Consortium including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid PCPDC \$1,917 for services provided during the fiscal year. Financial information can be obtained from Kerry M. Borger, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at kerry.borger@preblecountyEducationalServiceCenter.org.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 14 - Shared Risk Pool

Preble County Schools Regional Council of Governments

The Preble County Schools Regional Council of Governments (the Council), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center. The Council is governed by an advisory committee consisting of each member's superintendent or designee from each participant. Premiums are paid on a monthly basis to the Council and their designated insurance company. The Council is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the Council may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Council. Financial information can be obtained from Kerry M. Borger, who serves as Fiscal Officer, at 597 Hillcrest Drive, Eaton, Ohio 45320.

Note 15 - Set-Aside Calculations

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

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

	<u>Capital Improvements</u>
Restricted Balance as of June 30, 2016	\$106,016
Current Fiscal Year Set-aside Requirement	157,119
Qualifying Disbursements	(104,534)
Current Fiscal Year Offsets	<u>(17,165)</u>
Totals	<u>\$141,436</u>
Balance Carried Forward to Future Fiscal Years	<u>\$141,436</u>
Restricted Balance as of June 30, 2017	<u>\$141,436</u>

Note 16 – Fund Balances

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

Twin Valley Community Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Balances	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Nonmajor Governmental Funds	Total
<i>Restricted for:</i>						
Debt Service Payments	\$0	\$37,957	\$0	\$0	\$0	\$37,957
Classroom Facilities	0	0	784,357	1,349,692	19,391	2,153,440
Athletic Services	0	0	0	0	22,988	22,988
Lunchroom Fund	0	0	0	0	64,779	64,779
State and Federal Grants	0	0	0	0	10,648	10,648
Set-Asides	141,436	0	0	0	0	141,436
Capital Improvements	0	0	0	0	145,643	145,643
<i>Total Restricted</i>	141,436	37,957	784,357	1,349,692	263,449	2,576,891
<i>Committed to</i>						
Legal and Other Contracts	123,824	0	0	0	0	123,824
<i>Assigned to:</i>						
Purchases on Order	158,644	0	0	0	0	158,644
<i>Unassigned</i>	4,136,373	0	0	0	0	4,136,373
<i>Total Fund Balances</i>	<u>\$4,560,277</u>	<u>\$37,957</u>	<u>\$784,357</u>	<u>\$1,349,692</u>	<u>\$263,449</u>	<u>\$6,995,732</u>

Note 17 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	<u><u>\$282,468</u></u>
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Note 18 - Contingencies

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Litigation

The School District is not involved in a legal proceeding as of June 30, 2017.

Note 19 - Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 20 – Subsequent Event

In April 2018, the School District entered into a tax-exempt lease purchase agreement for energy improvements. The lease term is for 12 years at 3.38 percent interest. The final payment will be on December 1, 2029.

Twin Valley Community Local School District
Statement of Net Position - Modified Cash Basis
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,157,455
Nondepreciable Capital Assets	336,998
Depreciable Capital Assets, Net	8,964,303
<i>Total Assets</i>	13,458,756
 Liabilities:	
Long-Term Liabilities:	
Due Within One Year	390,000
 Net Position:	
Net Investment in Capital Assets	8,911,301
Restricted for:	
Debt Service	296,962
Capital Projects	1,680
Classroom Facilities	73,473
Lunchroom	7,756
Athletic	44,665
State and Federal Grants	8,529
Set-Asides	106,016
Unrestricted	3,618,374
<i>Total Net Position</i>	\$13,068,756

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District

Statement of Activities - Modified Cash Basis

For the Fiscal Year Ended June 30, 2016

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,175,844	\$509,244	\$39,636	(\$3,626,964)
Special	1,301,781	0	549,980	(751,801)
Vocational	235,809	0	17,011	(218,798)
Support Services:				
Pupils	321,123	0	24,980	(296,143)
Instructional Staff	189,326	0	2,816	(186,510)
Board of Education	95,001	0	0	(95,001)
Administration	753,468	0	39,695	(713,773)
Fiscal	389,963	0	0	(389,963)
Operation and Maintenance of Plant	1,083,347	0	0	(1,083,347)
Pupil Transportation	399,414	0	0	(399,414)
Central	133,880	0	5,400	(128,480)
Operation of Non-Instructional Services	366,040	141,640	184,547	(39,853)
Extracurricular Activities	323,832	159,710	0	(164,122)
Debt Service:				
Interest and Fiscal Charges	25,988	0	0	(25,988)
<i>Total Governmental Activities</i>	<u>\$9,794,816</u>	<u>\$810,594</u>	<u>\$864,065</u>	<u>(8,120,157)</u>

General Receipts:

Property Taxes Levied for:	
General Purposes	2,583,450
Debt Service	274,969
Other Purposes	38,298
Income Tax	1,727,542
Grants and Entitlements not Restricted to Specific Programs	4,591,938
Contributions and Donations not Restricted to Specific Programs	207,655
Interest	4,575
Miscellaneous	80,472
<i>Total General Receipts</i>	<u>9,508,899</u>
 <i>Change in Net Position</i>	 1,388,742
 <i>Net Position at Beginning of Year</i>	 <u>11,680,014</u>
<i>Net Position at End of Year</i>	<u><u>\$13,068,756</u></u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2016

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,618,374	\$296,962	\$136,103	\$4,051,439
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	106,016	0	0	106,016
<i>Total Assets</i>	<u>\$3,724,390</u>	<u>\$296,962</u>	<u>\$136,103</u>	<u>\$4,157,455</u>
Fund Balances:				
Restricted	\$106,016	\$296,962	\$136,103	\$539,081
Committed	21,222			21,222
Assigned	52,297	0	0	52,297
Unassigned	3,544,855	0	0	3,544,855
<i>Total Fund Balances</i>	<u>\$3,724,390</u>	<u>\$296,962</u>	<u>\$136,103</u>	<u>\$4,157,455</u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities - Modified Cash Basis
 June 30, 2016*

Total Governmental Fund Balances \$4,157,455

*Amounts reported for governmental activities in the
 Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	336,998
Land Improvements	398,702
Buildings and Improvements	15,704,207
Furniture, Fixtures, and Equipment	1,484,271
Vehicles	707,336
Accumulated Depreciation	<u>(9,330,213)</u>

Total 9,301,301

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable	<u>(390,000)</u>
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Net Position of Governmental Activities \$13,068,756

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$2,583,450	\$274,969	\$38,298	\$2,896,717
Income Tax	1,727,542	0	0	1,727,542
Tuition and Fees	445,609	0	0	445,609
Extracurricular Activities	43,398	0	116,312	159,710
Interest	4,562	0	13	4,575
Intergovernmental	4,847,023	42,024	566,956	5,456,003
Charges for Services	0	0	141,640	141,640
Rent	63,635	0	0	63,635
Contributions and Donations	207,655	0	0	207,655
Miscellaneous	79,972	0	500	80,472
<i>Total Receipts</i>	<u>10,002,846</u>	<u>316,993</u>	<u>863,719</u>	<u>11,183,558</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,799,605	0	45,438	3,845,043
Special	1,014,601	0	287,180	1,301,781
Vocational	235,231	0	0	235,231
Support Services:				
Pupils	247,636	0	27,075	274,711
Instructional Staff	186,510	0	2,816	189,326
Board of Education	95,001	0	0	95,001
Administration	701,471	7,748	44,249	753,468
Fiscal	389,963	0	0	389,963
Operation and Maintenance of Plant	972,235	0	176,083	1,148,318
Pupil Transportation	641,424	0	0	641,424
Central	128,480	0	5,400	133,880
Operation of Non-Instructional Services	0	0	363,982	363,982
Extracurricular Activities	224,094	0	107,727	331,821
Debt Service:				
Principal Retirement	0	375,000	0	375,000
Interest and Fiscal Charges	0	25,988	0	25,988
<i>Total Disbursements</i>	<u>8,636,251</u>	<u>408,736</u>	<u>1,059,950</u>	<u>10,104,937</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,366,595</u>	<u>(91,743)</u>	<u>(196,231)</u>	<u>1,078,621</u>
Other Financing Sources (Uses):				
Transfers In	0	0	500	500
Advances In	0	0	67,054	67,054
Transfers Out	(500)	0	0	(500)
Advances Out	(67,054)	0	0	(67,054)
<i>Total Other Financing Sources (Uses)</i>	<u>(67,554)</u>	<u>0</u>	<u>67,554</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,299,041	(91,743)	(128,677)	1,078,621
<i>Fund Balances at Beginning of Year</i>	2,425,349	388,705	264,780	3,078,834
<i>Fund Balances at End of Year</i>	<u>\$3,724,390</u>	<u>\$296,962</u>	<u>\$136,103</u>	<u>\$4,157,455</u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Fund Balances
of Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds \$1,078,621

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

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

Capital Outlay	343,049	
Current Fiscal Year Depreciation Disbursement	<u>(407,553)</u>	
Excess of Depreciation over Capital Outlay		(64,504)

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.

Loss on Disposal of Capital Assets	(375)
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Repayment of long-term obligation bonds is a disbursement in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

General Obligation Bond Payments	<u>375,000</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,388,742</u></u>
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See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$2,555,970	\$2,555,970	\$2,583,450	\$27,480
Income Tax	1,849,599	1,849,599	1,727,542	(122,057)
Tuition and Fees	494,000	494,000	445,609	(48,391)
Extracurricular Activities	47,000	47,000	43,398	(3,602)
Interest	2,500	2,500	4,781	2,281
Intergovernmental	4,424,380	4,424,380	4,847,023	422,643
Rent	30,000	30,000	63,635	33,635
Contributions and Donations	0	0	207,655	207,655
Miscellaneous	10,500	10,500	13,035	2,535
<i>Total Receipts</i>	<u>9,413,949</u>	<u>9,413,949</u>	<u>9,936,128</u>	<u>522,179</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,493,545	3,556,640	3,550,654	5,986
Special	1,067,774	1,032,134	1,016,963	15,171
Vocational	227,706	235,706	235,254	452
Other	290,000	253,248	248,097	5,151
Support Services:				
Pupils	242,960	248,432	248,014	418
Instructional Staff	231,277	231,277	189,311	41,966
Board of Education	96,800	96,800	95,001	1,799
Administration	1,000,244	806,324	708,945	97,379
Fiscal	339,167	390,067	389,978	89
Operation and Maintenance of Plant	949,400	1,031,537	1,031,324	213
Pupil Transportation	520,133	644,322	642,579	1,743
Central	119,672	129,972	128,480	1,492
Extracurricular Activities	218,473	233,090	224,094	8,996
Capital Outlay	1,050	1,076	1,076	0
<i>Total Disbursements</i>	<u>8,798,201</u>	<u>8,890,625</u>	<u>8,709,770</u>	<u>180,855</u>
<i>Excess of Receipts Over Disbursements</i>	<u>615,748</u>	<u>523,324</u>	<u>1,226,358</u>	<u>703,034</u>
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements	30,000	30,000	66,937	36,937
Advances Out	(30,000)	(60,000)	(67,054)	(7,054)
Transfers Out	(500)	(1,000)	(500)	500
<i>Total Other Financing Sources (Uses)</i>	<u>(500)</u>	<u>(31,000)</u>	<u>(617)</u>	<u>30,383</u>
<i>Net Change in Fund Balance</i>	615,248	492,324	1,225,741	733,417
<i>Fund Balance at Beginning of Year</i>	2,289,062	2,289,062	2,289,062	0
<i>Prior Year Encumbrances Appropriated</i>	136,068	136,068	136,068	0
<i>Fund Balance at End of Year</i>	<u>\$3,040,378</u>	<u>\$2,917,454</u>	<u>\$3,650,871</u>	<u>\$733,417</u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2016

	Private Purpose Trust Funds	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$68,306	\$52,759
Liabilities:		
Undistributed Monies	0	\$600
Due to Students	0	52,159
Total Liabilities	0	\$52,759
Net Position:		
Held in Trust for Scholarships	\$68,306	

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Funds
Additions:	
Interest	\$1,991
Contributions	167
<i>Total Additions</i>	2,158
Deductions:	
Payments in Accordance with Trust Agreements	1,353
<i>Change in Net Position</i>	805
<i>Net Position at Beginning of Year</i>	67,501
<i>Net Position at End of Year</i>	\$68,306

See Accompanying Notes to the Basic Financial Statements

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Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 1 - Description of the School District and Reporting Entity

The West Alexandria School District was formed in the early 1800's. On December 30, 1963, the Preble County Board of Education consolidated all of the schools located in Lanier, Harrison, and Twin Townships as Twin Valley School District. On June 1, 1983, the Preble County Board of Education split the Twin Valley School District, resulting in the formation of the present Twin Valley Community Local School District.

Twin Valley Community Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board of Education controls the School District's one instructional and administrative facility.

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

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

The School District participates in three jointly governed organizations and one shared risk pool. These organizations are presented in Note 13 and 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Southwest Ohio Computer Association
Southwestern Ohio Educational Purchasing Council
Preble County Professional Development Consortium

Shared Risk Pool:

Preble County Schools Regional Council of Governments

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Twin Valley Community Local School District are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The more significant of the School District's accounting policies are described below.

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 School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no activities that are classified as business-type.

The Statement of Net Position presents the cash balance, capital assets, and debt of the governmental activities of the School District at fiscal year-end. The government-wide Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

Governmental Funds

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

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

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund accounts for and reports property tax receipts and State reimbursements intended to offset tax exemptions to be used for the payment of general obligation bonded debt.

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

Fiduciary Funds

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

Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and disbursements for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Cash Equivalents

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

During fiscal year 2016, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2016.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2016 amounted to \$4,562, which includes \$580 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Interfund Balances

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent amounts required by State Statute to be set aside for the acquisition and construction of capital Improvements.

Capital Assets

All capital assets of the School District are general capital assets associated with governmental activities. General capital assets usually result from disbursements 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.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	6-10 years

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.

Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the School District.

Long-Term Obligations

Long-term obligations are reported in the government-wide financial statements. The School District reported a liability for general obligation bonds, which arose from cash transactions.

Fund Balance

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are 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. The School District does not have any nonspendable fund balance.

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 the highest level of 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 the Board of Education. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for 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 good from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

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, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within all funds.

The Certificate of Estimated Resources may be amended during the fiscal year if projected increases or decreases in receipts 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 of Estimated Resources 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 that was in effect at the time final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated receipts. The amounts reported as the original budgeted amounts in the budgetary statements 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, including all supplemental appropriations.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Estimates

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 3 - Budgetary Basis of Accounting

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

1. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenues on the modified cash basis operating statement.
2. Encumbrances, which are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis).

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

Net Change in Fund Balance

	<u>General</u>
Modified Cash Basis	\$1,299,041
Unrecorded Cash - Fiscal Year 2015	219
Encumbrances	<u>(73,519)</u>
Budget Basis	<u><u>\$1,225,741</u></u>

Note 4 - Deposits and Investments

Monies held by the School District are classified by State Statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active 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.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but that 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 held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2016, the School District's only investment was \$25,458 with STAROhio. The average maturity of STAROhio at June 30, 2016 was 48.6 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy follows State statute, which 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor's rated the School District's investment in STAR Ohio AAAM. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's 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 semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Twin Valley Community Local School District

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

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

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

	2015 Second-Half Collections		2016 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$118,921,600	93.44%	\$118,848,550	93.36%
Public Utility Personal	8,346,550	6.56%	8,454,770	6.64%
Total Assessed Value	<u>\$127,268,150</u>	<u>100.00%</u>	<u>\$127,303,320</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.00		\$40.00	

Note 6 - Income Tax

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003 at 0.75 percent and was renewed in November 2013 for five years and November 2011 for five years. On January 1, 2014, the income tax rate increased to 1.5 percent. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

Note 7 - Capital Assets

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/16</u>
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$336,998	\$0	\$0	\$336,998
Capital Assets, Being Depreciated:				
Land Improvements	398,702	0	0	398,702
Buildings and Improvements	15,644,209	59,998	0	15,704,207
Furniture, Fixtures, and Equipment	1,468,222	44,466	(28,417)	1,484,271
Vehicles	598,861	238,585	(130,110)	707,336
Total Capital Assets, Being Depreciated	<u>18,109,994</u>	<u>343,049</u>	<u>(158,527)</u>	<u>18,294,516</u>
Land Improvements	(307,132)	(9,683)	0	(316,815)
Buildings and Improvements	(6,926,798)	(335,843)	0	(7,262,641)
Furniture, Fixtures, and Equipment	(1,399,546)	(15,818)	28,417	(1,386,947)
Vehicles	(447,336)	(46,209)	129,735	(363,810)
Total Accumulated Depreciation	<u>(9,080,812)</u>	<u>(407,553) *</u>	<u>158,152</u>	<u>(9,330,213)</u>
Capital Assets, Being Depreciated, Net	<u>9,029,182</u>	<u>(64,504)</u>	<u>(375)</u>	<u>8,964,303</u>
Governmental Activities Capital Assets, Net	<u>\$9,366,180</u>	<u>(\$64,504)</u>	<u>(\$375)</u>	<u>\$9,301,301</u>

* Depreciation was charged to governmental functions as follows:

Instruction:	
Regular	\$346,341
Vocational	578
Support Services:	
Operation and Maintenance of Plant	11,110
Pupil Transportation	46,037
Operation of Non-Instructional Services	2,058
Extracurricular Activities	1,429
Total Depreciation Disbursement	<u>\$407,553</u>

Note 8 - Risk Management

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. During fiscal year 2016, the School District contracted with Liberty Mutual for fleet insurance, school building, and contents.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior fiscal year.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Workers' Compensation

For fiscal year 2016, the School District pays the State Worker's Compensation System a premium for employee injury coverage. The premium is based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Hunter Consulting provides various services to the School District for workers' compensation.

Employee Medical Benefits

For fiscal year 2016, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$157,257 for fiscal year 2016.

Twin Valley Community Local School District

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

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 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 year 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 year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$468,601 for fiscal year 2016.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.03469000%	0.03210972%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.03731130%</u>	<u>0.03208135%</u>	
Change in Proportionate Share	<u>0.00262130%</u>	<u>-0.00002837%</u>	
Proportionate Share of the Net Pension Liability	\$2,129,020	\$8,866,347	\$10,995,367

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.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,952,184	\$2,129,020	\$1,435,846

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

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

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

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$12,316,024	\$8,866,347	\$5,949,130

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 10 - Postemployment Benefits

School Employees Retirement System

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. 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, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$19,809.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$28,893, and \$27,333 respectively. The full amount has been contributed for all three fiscal years.

Twin Valley Community Local School District

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

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$33,160 respectively. The full amount has been contributed for 2016, 2015 and 2014.

Note 11 –Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Unused vacation cannot be carried forward to the succeeding fiscal year. Teachers do not earn vacation time. Principals and administrators can get a portion of their vacation days paid out if not used.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred and twenty-one days for classified employees and certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-five and a fourth days for classified employees. For certified employees, they are entitled to the amount of unused sick days multiplied by their daily rate then by .25. Certified employees retiring at the completion of the school year when first eligible for retirement and who notify the Superintendent by March 15 of their plan to retire will receive an additional amount of \$10,000 and unused sick days shall be multiplied by their daily rate then by .35. No one took advantage of this during the fiscal year.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 12 - Long-Term Obligations

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

	Principal Outstanding 6/30/15	Additions	Deductions	Principal Outstanding 6/30/16	Amounts Due in One Year
<u>Governmental Activities</u>					
School Improvement General Obligation Refunding Bonds 2007 - 4.25 - 4.50%	\$765,000	\$0	\$375,000	\$390,000	\$390,000

Twin Valley Community Schools School Improvement General Obligation Refunding Bonds

The 2007 Refunding Bonds were issued September 25, 2006, for the purpose of advance refunding \$1,940,000 of the \$3,125,000 outstanding school improvement general obligation bonds. The bonds will reach final maturity on December 1, 2016 and are being paid from the Bond Retirement Debt Service Fund. As a result, \$1,940,000 of the 1994 bonds are considered defeased, and the liability for the refunded portion of these bonds has been removed from the financial statements. The balance of the refunding bonds were fully repaid.

The School District's overall legal debt margin was \$10,770,337 with an un-voted debt margin of \$127,303 at June 30, 2016.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2016 are as follows:

<u>Ending June 30,</u> 2017	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$390,000	\$8,775	\$398,775

Note 13 - Jointly Governed Organizations

Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SWOCA \$62,672 for services provided during the fiscal year. Financial information can be obtained from Donna Davis Norris, Executive Director of SWOCA, at 3611 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts and educational service centers in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services, including dental insurance, commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

The Council exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Council. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to the SOEPC are made from the General Fund. During fiscal year 2016, the School District paid \$634 to the SOEPC. Each School District's degree of control is limited to its representation on the Council. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Preble County Professional Development Consortium

The School District is a participant in the Preble County Professional Development Consortium (PCPDC). PCPDC is an association of public school districts within the boundaries of Preble County. The organization was formed to improve staff development and instructional functions by making optimum use of public funds through cooperation of member public school districts. The governing board of PCPDC consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the Consortium including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid PCPDC \$1,951 for services provided during the fiscal year. Financial information can be obtained from Kerry M. Borger, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at kerry.borger@preblecountyEducationalServiceCenter.org.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Note 14 - Shared Risk Pool

Preble County Schools Regional Council of Governments

The Preble County Schools Regional Council of Governments (the Council), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center. The Council is governed by an advisory committee consisting of each member's superintendent or designee from each participant. Premiums are paid on a monthly basis to the Council and their designated insurance company. The Council is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the Council may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Council. Financial information can be obtained from Kerry M. Borger, who serves as Fiscal Officer, at 597 Hillcrest Drive, Eaton, Ohio 45320.

Note 15 - Set-Aside Calculations

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

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

	<u>Capital Improvements</u>
Restricted Balance as of June 30, 2015	\$255,522
Current Fiscal Year Set-aside Requirement	155,814
Qualifying Disbursements	(267,022)
Current Fiscal Year Offsets	(38,298)
Totals	<u>\$106,016</u>
Balance Carried Forward to Future Fiscal Years	<u>\$106,016</u>
Restricted Balance as of June 30, 2016	<u>\$106,016</u>

Note 16 – Fund Balances

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Fund Balances	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total
<i>Restricted for:</i>				
Debt Service Payments	\$0	\$296,962	\$0	\$296,962
Classroom Facilities Maintenance	0	0	73,473	73,473
Athletic Services	0	0	44,665	44,665
Lunchroom Fund	0	0	7,756	7,756
State and Federal Grants	0	0	8,529	8,529
Capital Improvements	106,016	0	1,680	107,696
<i>Total Restricted</i>	106,016	296,962	136,103	539,081
<i>Committed to</i>				
Legal and Other Contracts	21,222	0	0	21,222
<i>Assigned to:</i>				
Purchases on Order	52,297	0	0	52,297
<i>Unassigned</i>	3,544,855	0	0	3,544,855
<i>Total Fund Balances</i>	\$3,724,390	\$296,962	\$136,103	\$4,157,455

Note 17 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	<u><u>\$73,519</u></u>
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Note 18 - Contingencies

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Litigation

The School District is not involved in a legal proceeding as of June 30, 2016.

Note 19 - Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 20 – Subsequent Event

In April 2018, the School District entered into a tax-exempt lease purchase agreement for energy improvements. The lease term is for 12 years at 3.38 percent interest. The final payment will be on December 1, 2029.



Dave Yost • Auditor of State

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

Twin Valley Community Local School District
Preble County
100 Education Drive
West Alexandria, Ohio 45381

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twin Valley Community Local School District, Preble County, (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 9, 2018, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

District's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 9, 2018

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance

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

Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit certain assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

As such, the District should prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

The District chooses to complete the annual financial report on a modified cash basis based on the needs for the District and for financial purposes.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) - Failure to report in accordance with generally accepted accounting principles. Initially occurred in FY05.	Not Corrected	The School District chooses to complete the annual financial report on a modified cash basis based on the needs for the School District and for financial purposes.



Dave Yost • Auditor of State

TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT

PREBLE 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
SEPTEMBER 18, 2018**