



Dave Yost • Auditor of State

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

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MEDINA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Black River Local School District
Medina County
257-A County Road 40
Sullivan, Ohio 44880

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Black River Local School District, Medina County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2017

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Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

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

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position decreased \$76,653, which represents a 1% decrease from 2015.
- Capital assets decreased \$253,776 during fiscal year 2016.
- During the fiscal year, outstanding debt decreased from \$2,504,594 to \$2,125,000 due to principal payments made by the District.

Using this Annual Report

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

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

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of major funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Because of the discussion below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows of resources and subtracting deferred outflows of resources related to pension and the net pension liability to the reported net position. Table 1 provides a summary of the District's net position for 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and Other Assets	\$ 9,904,511	\$ 10,183,828
Capital Assets	8,000,397	8,254,173
<i>Total Assets</i>	17,904,908	18,438,001
Deferred Outflows of Resources		
Pension	1,968,010	1,086,108
Liabilities		
Current and Other Liabilities	1,753,917	1,659,810
Long-Term Liabilities:		
Due Within One Year	500,217	499,858
Due More Than One Year		
Net Pension Liability	16,764,684	14,586,733
Other Amounts	1,917,951	2,316,808
<i>Total Liabilities</i>	20,936,769	19,063,209
Deferred Inflows of Resources		
Property Taxes and Other	4,616,540	4,618,535
Pension	1,203,107	2,649,210
<i>Total Deferred Inflows of Resources</i>	5,819,647	7,267,745
Net Position		
Net Investment in Capital Assets	6,505,397	6,414,173
Restricted	893,435	941,788
Unrestricted	(14,282,330)	(14,162,806)
<i>Total Net Position</i>	\$ (6,883,498)	\$ (6,806,845)

Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

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

At year end, capital assets represented 45% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. The net investment in capital assets was \$6,505,397 at June 30, 2016. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$893,435, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$14,282,330, which is primarily caused by GASB 68.

Total current assets showed a net decrease of \$279,317 with a substantial decrease in pooled cash and cash equivalents of \$357,373. This is partially due to principal payments exceeding tax income, project expenditures exceeding grant monies, and expenditures exceeding sales tax.

The decrease in capital assets was attributed to the depreciation expense exceeding the additions in the current year.

Total liabilities increased \$1,873,560, primarily due to an increase in net pension liability, partially offset by principal payments made during the year. The fluctuations in deferred outflows and deferred inflows related to pension can be attributed to a change in the pension plans.

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

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Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Table 2
Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,041,463	\$ 872,578
Operating Grants	1,474,567	1,469,592
<i>Total Program Revenues</i>	<u>2,516,030</u>	<u>2,342,170</u>
<i>General Revenues:</i>		
Property Taxes	5,648,856	5,415,178
Grants and Entitlements Not Restricted	7,548,154	7,709,371
Shared Sales Tax	305,915	236,005
Other	97,400	113,731
<i>Total General Revenues</i>	<u>13,600,325</u>	<u>13,474,285</u>
<i>Total Revenues</i>	<u>16,116,355</u>	<u>15,816,455</u>
Program Expenses		
Instruction:		
Regular	7,701,231	7,329,384
Special	1,598,039	1,696,301
Vocational	286,283	326,840
Other	652	745
Support Services:		
Pupils	504,418	494,358
Instructional Staff	273,011	287,516
Board of Education	73,586	55,461
Administration	1,014,057	1,045,569
Fiscal	466,451	409,253
Business	30,555	24,013
Operation and Maintenance of Plant	2,088,577	1,229,250
Pupil Transportation	1,026,400	1,063,995
Central	110,310	101,259
Operation of Non-Instructional Services:		
Food Service Operations	408,072	372,179
Community Services	24,851	4,859
Extracurricular Activities	522,915	476,855
Debt Service:		
Interest and Fiscal Charges	63,600	59,416
<i>Total Expenses</i>	<u>16,193,008</u>	<u>14,977,253</u>
<i>Increase (Decrease) in Net Position</i>	<u>(76,653)</u>	<u>839,202</u>
<i>Net Position at Beginning of Year</i>	<u>(6,806,845)</u>	<u>(7,646,047)</u>
<i>Net Position at End of Year</i>	<u>\$ (6,883,498)</u>	<u>\$ (6,806,845)</u>

Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Total revenues increased \$299,900 primarily due to an increase in taxes.

Total expenses increased \$1,215,755 due to an increase primarily in operations and maintenance from energy conservation improvements related to House Bill 264 note issued in prior year.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2016	2015	2016	2015
Instruction:				
Regular	\$ 7,701,231	\$ 7,329,384	\$ 6,984,612	\$ 6,717,256
Special	1,598,039	1,696,301	531,132	727,855
Vocational	286,283	326,840	231,165	298,979
Other	652	745	(35,916)	745
Support Services:				
Pupils	504,418	494,358	504,418	493,876
Instructional Staff	273,011	287,516	219,076	131,857
Board of Education	73,586	55,461	73,586	55,461
Administration	1,014,057	1,045,569	1,001,581	999,649
Fiscal	466,451	409,253	466,451	408,291
Business	30,555	24,013	30,555	24,013
Operation and Maintenance of Plant	2,088,577	1,229,250	2,088,577	1,213,603
Pupil Transportation	1,026,400	1,063,995	975,288	1,024,402
Central	110,310	101,259	110,310	101,259
Operation of Non-Instructional Services:				
Food Service Operations	408,072	372,179	93,955	96,527
Community Services	24,851	4,859	8,648	3,610
Extracurricular Activities	522,915	476,855	329,940	278,284
Debt Service:				
Interest and Fiscal Charges	63,600	59,416	63,600	59,416
<i>Total Expenses</i>	\$ 16,193,008	\$ 14,977,253	\$ 13,676,978	\$ 12,635,083

The dependence upon general revenues for governmental activities is apparent. Over 84% of governmental activities are supported through taxes and other general revenues; such revenues are 84% of total governmental revenues. The community, as a whole, is by far the primary support for the District students.

Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Governmental Funds

Information about the District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The net change in fund balance for the fiscal year was a decrease of \$383,622 for all governmental funds with the most significant decrease in the other governmental funds.

The general fund's net change in fund balance for fiscal year 2016 was an increase of \$36,749.

General Fund Budgeting Highlights

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

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

For the general fund, actual budget basis revenue and other financing sources of \$12,426,811 was higher than the final budget basis revenue by \$104,914 as the estimate for taxes and grants was higher than actual.

Final expenditure appropriations of \$13,289,826 were \$425,592 higher than the actual expenditures and other financing uses of \$12,864,234 as cost savings were recognized for salaries and benefits throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$8,000,397 invested in capital assets. Table 4 shows fiscal year 2016 balances compared with 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 437,361	\$ 437,361
Land Improvements	181,241	215,691
Buildings and Improvements	6,883,663	7,204,774
Furniture, Fixtures and Equipment	96,913	89,914
Vehicles	401,219	306,433
<i>Totals</i>	\$ 8,000,397	\$ 8,254,173

Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

The \$253,776 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 9 for more information about the capital assets of the District.

Debt

At June 30, 2016, the District had \$2,125,000 in debt outstanding. See Note 10 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2016	2015
Series 2011 School Improvement Refunding Bond	\$ 1,495,000	\$ 1,840,000
Energy Conservation Note	630,000	664,594
<i>Total</i>	\$ 2,125,000	\$ 2,504,594

Current Issues

Black River Local School District is a rural school district that encompasses 125 square miles in southwestern Medina, southern Lorain and northern Ashland counties. The state foundation funding formula is the primary funding source of education to the District and represents approximately 49% of revenue. This funding calculation is affected by local property valuation changes and as valuations increase, the state funding is decreased. The District saw significant decreases in property values from 2009 through 2012 and, while values are increasing, they have not yet fully recovered. Another significant factor in this calculation is student enrollment; over the last 5 years enrollment has fallen from 1,749 students in fiscal year 2009 to 1,328 in fiscal year 2016 which impacts state foundation funding based on the District's average daily membership. However, the District is currently on the State guarantee, so until the provision is reduced or revoked, our State funding will remain constant. The general economic downturn has also negatively impacted the District. Decreasing revenues, property values and student numbers coupled with increasing expenses has challenged the District financially. As the state of Ohio struggles to balance their budget, the outlook for public education is grim.

For the first time since 1997, voters approved an operating levy to support the District's operations on May 8, 2013. The 8.7 mill, five year emergency levy is necessary to maintain the current programs and instructional services for the District's students.

Approximately 66% of the general fund budget is expended for employee wages and fringe benefits. These costs, including health benefits, are expected to increase at a rate almost double to that of revenue growth. As expenditures continue to increase at rates exceeding revenue growth, the District is challenged to monitor its budget so as to continue to strive for academic excellence while remaining financially sound. The aging facilities require increasing funds for updates and general maintenance. In fiscal year 2015 the District started a HB264 project in an effort to improve our building systems and reduce energy expenses. The total cost of this project will be \$664,594, which is expected to be recovered over 14 years.

Black River Local School District
Medina County, Ohio
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Connie I. Hange, Treasurer of Black River Local School District, 257-A County Road 40, Sullivan, Ohio 44880.

Black River Local School District
Medina County, Ohio
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 3,527,323
Receivables:	
Accounts	10,432
Intergovernmental	167,212
Sales Tax	179,398
Property Taxes	6,020,146
Nondepreciable Capital Assets	437,361
Depreciable Capital Assets (Net)	7,563,036
<i>Total Assets</i>	17,904,908
 Deferred Outflows of Resources	
Pension	1,968,010
 Liabilities	
Accounts Payable	113,634
Accrued Wages and Benefits	1,233,987
Intergovernmental Payable	336,185
Matured Compensated Absences Payable	70,111
Long-Term Liabilities:	
Due Within One Year	500,217
Due In More Than One Year:	
Net Pension Liability (See Note 13)	16,764,684
Other Amount Due in More Than One Year	1,917,951
<i>Total Liabilities</i>	20,936,769
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	4,616,540
Pension	1,203,107
<i>Total Deferred Inflows of Resources</i>	5,819,647
 Net Position	
Net Investment in Capital Assets	6,505,397
Restricted For:	
Capital Outlay	176,253
Debt Service	631,465
Other Purposes	85,717
Unrestricted	(14,282,330)
<i>Total Net Position</i>	\$ (6,883,498)

See accompanying notes to the basic financial statements.

Black River Local School District
Medina County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 7,701,231	\$ 578,916	\$ 137,703	\$ (6,984,612)
Special	1,598,039	99,940	966,967	(531,132)
Vocational	286,283	0	55,118	(231,165)
Other	652	36,568	0	35,916
Support Services:				
Pupils	504,418	0	0	(504,418)
Instructional Staff	273,011	0	53,935	(219,076)
Board of Education	73,586	0	0	(73,586)
Administration	1,014,057	12,476	0	(1,001,581)
Fiscal	466,451	0	0	(466,451)
Business	30,555	0	0	(30,555)
Operation and Maintenance of Plant	2,088,577	0	0	(2,088,577)
Pupil Transportation	1,026,400	9,650	41,462	(975,288)
Central	110,310	0	0	(110,310)
Operation of Non-Instructional Services:				
Food Service Operations	408,072	112,793	201,324	(93,955)
Community Services	24,851	0	16,203	(8,648)
Extracurricular Activities	522,915	191,120	1,855	(329,940)
Debt Service:				
Interest and Fiscal Charges	63,600	0	0	(63,600)
Total	<u>\$ 16,193,008</u>	<u>\$ 1,041,463</u>	<u>\$ 1,474,567</u>	<u>(13,676,978)</u>

General Revenues

Property Taxes Levied for:

General Purposes	5,368,251
Debt Service	280,605
Grants and Entitlements Not Restricted to Specific Programs	7,548,154
Shared Sales Tax	305,915
Gain on Sale of Capital Assets	8,801
Investment Earnings	35,620
Miscellaneous	52,979
Total General Revenues	<u>13,600,325</u>

Change in Net Position (76,653)

Net Position Beginning of Year (6,806,845)

Net Position End of Year \$ (6,883,498)

See accompanying notes to the basic financial statements.

Black River Local School District
Medina County, Ohio
Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 2,842,615	\$ 684,708	\$ 3,527,323
Receivables:			
Accounts	10,432	0	10,432
Intergovernmental	45,767	121,445	167,212
Sales Tax	0	179,398	179,398
Property Taxes	5,717,700	302,446	6,020,146
Advances to Other Funds	4,500	0	4,500
<i>Total Assets</i>	<u>\$ 8,621,014</u>	<u>\$ 1,287,997</u>	<u>\$ 9,909,011</u>
Liabilities			
Accounts Payable	\$ 84,185	\$ 29,449	\$ 113,634
Accrued Wages and Benefits	1,114,759	119,228	1,233,987
Intergovernmental Payable	299,183	37,002	336,185
Matured Compensated Absences Payable	70,111	0	70,111
Advances From Other Funds	0	4,500	4,500
<i>Total Liabilities</i>	<u>1,568,238</u>	<u>190,179</u>	<u>1,758,417</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	4,378,684	237,856	4,616,540
Unavailable Revenue	499,298	213,001	712,299
<i>Total Deferred Inflows of Resources</i>	<u>4,877,982</u>	<u>450,857</u>	<u>5,328,839</u>
Fund Balances			
Nonspendable	7,261	0	7,261
Restricted	0	681,792	681,792
Committed	0	48,114	48,114
Assigned	762,258	0	762,258
Unassigned	1,405,275	(82,945)	1,322,330
<i>Total Fund Balances</i>	<u>2,174,794</u>	<u>646,961</u>	<u>2,821,755</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 8,621,014</u>	<u>\$ 1,287,997</u>	<u>\$ 9,909,011</u>

See accompanying notes to the basic financial statements.

Black River Local School District
Medina County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances		\$ 2,821,755
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,000,397
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 108,685	
Shared Sales Tax	124,965	
Property Taxes	<u>478,649</u>	712,299
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	1,968,010	
Deferred Inflows - Pension	(1,203,107)	
Net Pension Liability	<u>(16,764,684)</u>	(15,999,781)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(1,495,000)	
Energy Conservation Note	(630,000)	
Compensated Absences	<u>(293,168)</u>	<u>(2,418,168)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ (6,883,498)</u>

See accompanying notes to the basic financial statements.

Black River Local School District
Medina County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 5,492,500	\$ 278,708	\$ 5,771,208
Shared Sales Tax	0	242,586	242,586
Intergovernmental	7,941,095	927,530	8,868,625
Investment Income	35,620	0	35,620
Tuition and Fees	702,582	0	702,582
Extracurricular Activities	111,172	102,072	213,244
Rentals	12,841	0	12,841
Charges for Services	190	112,796	112,986
Contributions and Donations	1,665	22,036	23,701
Miscellaneous	33,696	6,490	40,186
<i>Total Revenues</i>	<u>14,331,361</u>	<u>1,692,218</u>	<u>16,023,579</u>
Expenditures			
Current:			
Instruction:			
Regular	6,996,500	347,509	7,344,009
Special	1,141,641	511,013	1,652,654
Vocational	286,769	5,548	292,317
Other	652	0	652
Support Services:			
Pupils	499,079	16,505	515,584
Instructional Staff	238,619	55,793	294,412
Board of Education	62,873	0	62,873
Administration	982,171	53,432	1,035,603
Fiscal	457,081	6,354	463,435
Business	30,555	0	30,555
Operation and Maintenance of Plant	1,583,910	497,355	2,081,265
Pupil Transportation	908,550	208,403	1,116,953
Central	112,269	0	112,269
Extracurricular Activities	149,842	332,611	482,453
Operation of Non-Instructional Services:			
Food Service Operations	0	420,348	420,348
Community Services	14,286	396	14,682
Capital Outlay	0	48,297	48,297
Debt Service:			
Principal Retirement	34,594	345,000	379,594
Interest and Fiscal Charges	18,022	50,025	68,047
<i>Total Expenditures</i>	<u>13,517,413</u>	<u>2,898,589</u>	<u>16,416,002</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>813,948</u>	<u>(1,206,371)</u>	<u>(392,423)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	8,801	0	8,801
Transfers In	0	786,000	786,000
Transfers Out	(786,000)	0	(786,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(777,199)</u>	<u>786,000</u>	<u>8,801</u>
<i>Net Change in Fund Balance</i>	36,749	(420,371)	(383,622)
<i>Fund Balances Beginning of Year</i>	<u>2,138,045</u>	<u>1,067,332</u>	<u>3,205,377</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,174,794</u>	<u>\$ 646,961</u>	<u>\$ 2,821,755</u>

See accompanying notes to the basic financial statements.

**Black River Local School District
Medina County, Ohio**

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

Net Change in Fund Balances - Total Governmental Funds	\$	(383,622)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$	219,670
Current Year Depreciation		<u>(473,446)</u>
		(253,776)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes		16,039
Shared Sales Tax		63,329
Intergovernmental		<u>4,607</u>
		83,975
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds		345,000
Energy Conservation Note		<u>34,594</u>
		379,594
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred inflows.		
		1,005,995
Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the statement of activities.		
		(855,940)
In the statement of activities, interest is accrued on outstanding bonds and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		4,447
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(57,326)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(76,653)</u></u>

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 3,840,144	\$ 3,840,144	\$ 3,872,842	\$ 32,698
Intergovernmental	7,563,729	7,563,729	7,628,132	64,403
Investment Income	35,319	35,319	35,620	301
Tuition and Fees	697,397	697,397	703,332	5,935
Extracurricular Activities	529	529	534	5
Rentals	11,451	11,451	11,549	98
Miscellaneous	14,797	14,797	14,921	124
<i>Total Revenues</i>	<u>12,163,366</u>	<u>12,163,366</u>	<u>12,266,930</u>	<u>103,564</u>
Expenditures				
Current:				
Instruction:				
Regular	7,369,426	7,369,426	6,712,708	656,718
Special	969,083	969,083	1,106,327	(137,244)
Student Intervention Services	223,498	223,498	213,279	10,219
Other	718	718	652	66
Support Services:				
Pupils	549,538	549,538	419,098	130,440
Instructional Staff	233,145	233,145	217,726	15,419
Board of Education	51,287	51,287	41,717	9,570
Administration	903,649	903,649	927,804	(24,155)
Fiscal	271,611	271,611	420,682	(149,071)
Business	31,097	31,097	30,555	542
Operation and Maintenance of Plant	1,646,963	1,646,963	1,507,288	139,675
Pupil Transportation	898,108	898,108	872,875	25,233
Central	91,470	91,470	100,564	(9,094)
Extracurricular Activities	47,946	47,946	35,318	12,628
Operation of Non-Instructional Services:				
Food Service Operations	2,287	2,287	5,025	(2,738)
Debt Service:				
Principal Retirement	0	0	34,594	(34,594)
Interest and Fiscal Charges	0	0	18,022	(18,022)
<i>Total Expenditures</i>	<u>13,289,826</u>	<u>13,289,826</u>	<u>12,664,234</u>	<u>625,592</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,126,460)</u>	<u>(1,126,460)</u>	<u>(397,304)</u>	<u>729,156</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	8,727	8,727	8,801	74
Refund of Prior Year Expenditures	149,804	149,804	151,080	1,276
Transfers Out	0	0	(200,000)	(200,000)
<i>Total Other Financing Sources (Uses)</i>	<u>158,531</u>	<u>158,531</u>	<u>(40,119)</u>	<u>(198,650)</u>
<i>Net Change in Fund Balance</i>	(967,929)	(967,929)	(437,423)	530,506
<i>Fund Balance Beginning of Year</i>	824,960	824,960	824,960	0
Prior Year Encumbrances Appropriated	775,961	775,961	775,961	0
<i>Fund Balance End of Year</i>	<u>\$ 632,992</u>	<u>\$ 632,992</u>	<u>\$ 1,163,498</u>	<u>\$ 530,506</u>

See accompanying notes to the basic financial statements.

Black River Local School District
Medina County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 34,658	\$ 48,230
<i>Total Assets</i>	34,658	\$ 48,230
Liabilities		
Accounts Payable	0	\$ 1,475
Intergovernmental Payable	0	24
Due to Students	0	46,731
<i>Total Liabilities</i>	0	\$ 48,230
Net Position		
Held in Trust for Scholarships	\$ 34,658	

See accompanying notes to the basic financial statements.

Black River Local School District
Medina County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions	
Investment Earnings	\$ 382
Miscellaneous	262
<i>Total Additions</i>	644
 Deductions	
Payments in Accordance with Trust Agreements	1,125
<i>Change in Net Position</i>	(481)
<i>Net Position Beginning of Year</i>	35,139
<i>Net Position End of Year</i>	\$ 34,658

See accompanying notes to the basic financial statements.

Black River Local School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Black River Local School District (the “District”) is located in portions of Medina County, Ashland County and Lorain County in Northeast Ohio. The District includes all of the villages of Sullivan, Spencer, Homerville and portions of surrounding townships, covering approximately 125 square miles. The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District operates 1 comprehensive school, serving grades K through 8, and 1 high school. Including administrators, the District employs 55 non-certified and 100 certified full-time and part-time employees to provide services to approximately 1,215 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

Black River Local School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Medina County Career Center (MCCC)

The MCCC is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of students. The MCCC accepts non-tuition students from the District as a member school district; however, it is considered a separate political subdivision and is not considered to be part of the District. The Board of Education of the MCCC consists of representatives from the Boards of each participating school district. Financial information can be obtained by contacting the Treasurer of the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256-3842.

Midland Council of Governments (the "Midland COG")

The Midland COG is a jointly governed organization among twenty-two boards of education. The Midland COG was formed to provide efficient and cost effective computer and data processing services to member boards. Financial support for the Midland COG is provided by member fees levied according to the number of students within each member's respective district. The Executive Committee determines and sets the fees for all services.

Representation on the Midland COG consists of one member appointed by each member board of education. The representative shall be the Superintendent, Assistant Superintendent or Treasurer of the member district board of education. The Midland COG is governed by the Executive Committee who is elected for two year terms except the position of Fiscal Agent Superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two Superintendents, two Treasurers, two members-at-large and the Fiscal Agent Superintendent.

PUBLIC ENTITY RISK POOL

Stark County School Council of Governments Health Benefit Plan

The Stark County School Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

Black River Local School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Ohio School Plan

The District participates in the Ohio School Plan (the “Plan”), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan’s business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. Hylant Group, Inc. is the Plan’s administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

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

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

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

Black River Local School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust funds are private-purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

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

Black River Local School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Basis of Accounting

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

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

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

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

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

Black River Local School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a corresponding amount reported as intergovernmental revenue.

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original revenue budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final revenue budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2016.

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance, budget (non-GAAP budgetary basis) and actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures for all funds (budget) rather than as an assignment of fund balance (GAAP).
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

GAAP Basis	\$ 36,749
Net adjustments for revenue accruals	(304,930)
Net adjustments for expenditure accruals	76,729
Funds budgeted elsewhere**	51,372
Adjustments for encumbrances	<u>(297,343)</u>
Budget Basis	<u><u>\$ (437,423)</u></u>

**As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support, emergency levy and the community services funds. In addition, the unclaimed monies fund is legally budgeted as a separate private-purpose fund but is considered part of the general fund on a GAAP basis.

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Cash and Investments

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

During fiscal year 2016, investments were limited to nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$35,620, which includes \$21,209 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The 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.

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>Depreciation</u>	<u>Governmental Activities Estimate Lives</u>
Land Improvements	20 Years
Buildings and Improvements	20 - 50 Years
Furniture, Fixtures and Equipment	5 - 20 Years
Vehicles	6 - 10 Years

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Interfund Balances

On fund financial statements, long-term interfund loans are classified as “advances to/from other funds.” On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental column of the statement of net position.

Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liabilities to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absence*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, employees age fifty seven or greater with two years of service, age fifty two or greater with seven years of service or any age with twenty seven years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

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

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

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Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories can be used:

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

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

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Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2016, there was no net position restricted by enabling legislation.

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

Estimates

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

Interfund Activity

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

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.

Extraordinary and Special Items

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

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Implementation of New Accounting Principles

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

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

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

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

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

NOTE 3 – ACCOUNTABILITY

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

<u>Nonmajor Governmental Funds:</u>	<u>Fund Balance</u>
Food Service	\$ 29,482
Athletics	12,365
IDEA, Part B	36,979
Title I	1,393
Improving Teacher Quality	2,726

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These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is when cash is needed rather than when accruals occur.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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6. The State Treasury Asset Reserve of Ohio (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days in an amount not to exceed 40% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits with Financial Institutions

At fiscal year end, the District had \$125 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

At June 30, 2016, the carrying amount of all District deposits was \$3,610,086. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, as of June 30, 2016, \$3,369,132 of the District's bank balance of \$3,621,876 was exposed to custodial risk as discussed below, while \$252,744 was covered by the FDIC.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All uninsured deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

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NOTE 5 - INTERFUND ACTIVITY

Interfund Balances

Interfund balances at June 30, 2016, as reported on the fund financial statements, consist of the following advances to/from other funds:

	Advances to Other Funds	Advances From Other Funds
General Fund	\$ 4,500	\$ 0
Nonmajor Governmental Funds:		
Improving Teacher Quality	0	4,500
	\$ 4,500	\$ 4,500

The primary purpose of the loans is to cover costs incurred in the nonmajor governmental fund. Interfund balances between governmental funds are eliminated on the statement of net position.

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 786,000
Nonmajor Governmental Funds:		
Permanent Improvements	400,000	0
Food Service	113,000	0
Athletics	273,000	0
	\$ 786,000	\$ 786,000

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

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Property taxes include amounts levied against all real and public utility property located in the 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% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The District receives property taxes from Ashland, Lorain and Medina Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 in the general and bond retirement funds were \$885,485 and \$39,473, respectively. The amount available for advance at June 30, 2015, in the general and bond retirement funds were \$746,742 and \$39,523, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 182,076,200	92.56%	\$ 186,160,070	92.19%
Public Utilities	14,633,980	7.44%	15,771,250	7.81%
	<u>\$ 196,710,180</u>	<u>100%</u>	<u>\$ 201,931,320</u>	<u>100%</u>
Full Tax Rate per \$1,000 of assessed value	<u>\$ 53.60</u>		<u>\$ 53.60</u>	

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NOTE 7 - SHARED SALES TAX REVENUE

During 2007, the voters of Medina County passed an additional one-half percentage tax to be used for capital improvements at all school districts within the County. Collection began in October 2007. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The County then allocates this tax to the school districts within the County based on the student enrollment number. During fiscal year 2016, the District recorded shared sales tax revenue of \$242,586 in the capital grants fund (a nonmajor governmental fund).

NOTE 8 – RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. All receivables are expected to be collected within the subsequent year.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for fiscal year 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 437,361	\$ 0	\$ 0	\$ 437,361
<i>Total Capital Assets, Not Being Depreciated</i>	<u>437,361</u>	<u>0</u>	<u>0</u>	<u>437,361</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	1,393,841	0	0	1,393,841
Buildings and Improvements	13,416,118	0	0	13,416,118
Furniture, Fixtures and Equipment	1,240,526	40,000	0	1,280,526
Vehicles	1,134,104	179,670	(37,199)	1,276,575
<i>Total Capital Assets, Being Depreciated</i>	<u>17,184,589</u>	<u>219,670</u>	<u>(37,199)</u>	<u>17,367,060</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(1,178,150)	(34,450)	0	(1,212,600)
Buildings and Improvements	(6,211,344)	(321,111)	0	(6,532,455)
Furniture, Fixtures and Equipment	(1,150,612)	(33,001)	0	(1,183,613)
Vehicles	(827,671)	(84,884)	37,199	(875,356)
<i>Total Accumulated Depreciated</i>	<u>(9,367,777)</u>	<u>(473,446)</u>	<u>37,199</u>	<u>(9,804,024)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>7,816,812</u>	<u>(253,776)</u>	<u>0</u>	<u>7,563,036</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 8,254,173</u>	<u>\$ (253,776)</u>	<u>\$ 0</u>	<u>\$ 8,000,397</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 318,376
Vocational	420
Support Services:	
Instructional Staff	1,498
Operations and Maintenance of Plant	4,185
Pupil Transportation	101,961
Operation of Non-Instructional Services:	
Food Service	862
Extracurricular Activities	46,144
Total Depreciation	\$ 473,446

NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amount Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds:					
Series 2011 School Improvement Refunding Bonds-Curent Interest	\$ 1,840,000	\$ 0	\$ 345,000	\$ 1,495,000	\$ 355,000
Energy Conservation Notes	664,594	0	34,594	630,000	36,000
Total General Obligation Bonds	2,504,594	0	379,594	2,125,000	391,000
Net Pension Liability:					
STRS	12,411,034	1,537,149	0	13,948,183	0
SERS	2,175,699	640,802	0	2,816,501	0
Total Net Pension Liability	14,586,733	2,177,951	0	16,764,684	0
Other Long-Term Liabilities:					
Compensated Absences Payable	312,072	101,360	120,264	293,168	109,217
Total Long Term Liabilities	\$ 17,403,399	\$ 2,279,311	\$ 499,858	\$ 19,182,852	\$ 500,217

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salary is paid which, for the District, is primarily the general fund.

Net Pension Liability: The District pays obligations related to employee compensation from the fund benefitting from their service.

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Energy Conservation Notes: In fiscal year 2015, the District issued \$664,594 in energy conservation notes. The energy conservation notes bear an annual interest rate of 2.90% and mature on December 1, 2029. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the statement of net position. Payments of principal and interest relating to these notes are recorded as expenditures in the general fund.

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 36,000	\$ 17,748	\$ 53,748
2018	38,000	16,675	54,675
2019	39,000	15,558	54,558
2020	41,000	14,398	55,398
2021	42,000	13,195	55,195
2022-2026	229,000	46,675	275,675
2027-2030	205,000	12,080	217,080
	<u>\$ 630,000</u>	<u>\$ 136,329</u>	<u>\$ 766,329</u>

Series 2011 School Improvement Refunding Bonds: On April 1, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the previously issued Series 1994 School Improvement General Obligation Bonds (principal \$4,780,000; interest rate ranging from 4.35% to 4.90%; stated maturity December 1, 2019). \$5,225,581 of the issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt, which was called for redemption on December 1, 2004, at a cost of 102% of par value, plus accrued interest. This refunded debt is considered defeased (in-substance). Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund.

On May 30, 2011, the District issued par value \$3,130,000 general obligation bonds (Series 2011 School Improvement Refunding Bonds) to refund the callable Series 2001 School Improvement Refunding Bond. This refunded debt is considered defeased (in-substance). The interest rate on the current interest bonds is 3.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated on the issue is December 1, 2019.

Principal and interest requirements to retire Series 2011 School Improvement Refunding Bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2017	\$ 355,000	\$ 39,525	\$ 394,525
2018	370,000	28,650	398,650
2019	380,000	17,400	397,400
2020	390,000	5,850	395,850
	<u>\$ 1,495,000</u>	<u>\$ 91,425</u>	<u>\$ 1,586,425</u>

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NOTE 11 - OTHER 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 thirty days of vacation per year, depending upon length of service. Vacation credit is earned one year and taken in the next. An employee may elect to carry over credit from one year to the next but may not schedule or accumulate more than five weeks in any one calendar year. One quarter of accumulated unused sick time is paid to classified employees upon retirement. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation, up to a maximum accumulation of eighty days for both certified and classified employees with ten or more years of service with the District. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

Health Insurance

The District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the "Council"); a public entity risk pool that currently operates as a common risk management and health insurance program for member school districts. The District pays a monthly premium to the pool for health, prescription drug, and dental coverage. The pool agreement provides that the Council will be self-sustaining through member premiums, and the pool has purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

NOTE 12 - RISK MANAGEMENT

Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2016, the District purchased insurance coverage through the Ohio School Plan (see below).

Ohio School Plan

The District is a member of the Ohio School Plan, an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 260 participating Ohio schools ("Members"). Pursuant to Section 2744.081 of the Ohio Revised Code, the Ohio School Plan is deemed a separate legal entity. The Ohio School Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Ohio School Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

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The Ohio School Plan issues its own policies and reinsures the School Plan with reinsurances carriers. Only if the Ohio School Plan’s paid liability loss ratio exceeds 65% and is less than 80% does the Ohio School Plan contribute to paid claims (see the Ohio School Plan’s audited financial statements on the website for more details). The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Ohio School Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members’ equity at December 31, 2015, 2014 and 2013:

	2015	2014	2013
Assets	\$ 9,313,853	\$ 7,974,679	\$ 6,841,599
Liabilities	3,956,512	2,780,801	4,052,930
Members' Equity	5,357,341	5,193,878	2,788,669

You can read the complete audited financial statements for The Ohio School Plan at its website, www.ohioschoolplan.org under “*Financials*”. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

Workers’ Compensation

The District pays the State Workers’ Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that the State calculates. The District does not utilize a third party administrator for premium remittance.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – 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 years of service; 2.2% for the first thirty years of service and 2.5% 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 3% cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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%. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The District's contractually required contribution to SERS was \$198,267 for fiscal year 2016. Of this amount, \$19,096 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% 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 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$807,728 for fiscal year 2016. Of this amount, \$144,536 is reported as an intergovernmental payable.

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

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 13,948,183	\$ 2,816,501	\$ 16,764,684
Proportion of the Net Pension Liability	0.05046910%	0.04935951%	
Pension Expense	\$ 624,944	\$ 230,996	\$ 855,940

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 636,837	\$ 43,300	\$ 680,137
Changes in proportion and differences between District contributions and proportionate share of contributions	0	281,878	281,878
District contributions subsequent to the measurement date	807,728	198,267	1,005,995
Total Deferred Outflows of Resources	<u>\$ 1,444,565</u>	<u>\$ 523,445</u>	<u>\$ 1,968,010</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 1,021,897	\$ 54,079	\$ 1,075,976
Changes in proportion share of contributions	127,131	0	127,131
Total Deferred Inflows of Resources	<u>\$ 1,149,028</u>	<u>\$ 54,079</u>	<u>\$ 1,203,107</u>

\$1,005,995 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
2017	\$ (264,086)	\$ 68,554	\$ (195,532)
2018	(264,086)	68,554	(195,532)
2019	(264,087)	68,370	(195,717)
2020	280,068	65,621	345,689
	<u>\$ (512,191)</u>	<u>\$ 271,099</u>	<u>\$ (241,092)</u>

Actuarial Assumptions - SERS

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

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

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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%
Future Salary Increases, including inflation	4% to 22%
COLA or Ad Hoc COLA	3%
Investment Rate of Return	7.75% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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Discount Rate The total pension liability was calculated using the discount rate of 7.75%. 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%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.75%), or 1% point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,905,475	\$ 2,816,501	\$ 1,899,496

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

Actuarial Assumptions - STRS

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

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

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

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75% 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% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.75%) or 1% point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 19,375,078	\$ 13,948,183	\$ 9,358,934

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NOTE 14 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org 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% of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$27,222, \$34,846 and \$24,380, respectively. For fiscal year 2016, 90% has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

State Teachers Retirement System

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

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$53,827, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 15 – CONTINGENCIES

Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

Litigation

The District is involved in no material litigation as either plaintiff or defendant.

School District Funding

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

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

NOTE 16 – FUND BALANCE

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

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

	General	Nonmajor Governmental Funds	Total
Nonspendable for:			
Long-Term Advance	\$ 4,500	\$ 0	\$ 4,500
Unclaimed Funds	2,761	0	2,761
Total Nonspendable	7,261	0	7,261
Restricted for:			
Debt Service	0	606,347	606,347
Capital Outlay	0	51,288	51,288
Other Purposes	0	24,157	24,157
Total Restricted	0	681,792	681,792
Committed for:			
Permanent Improvements	0	48,114	48,114
Assigned for:			
Encumbrances:			
Instructional	129,286	0	129,286
Support Services	158,136	0	158,136
Extracurricular Activities	5,050	0	5,050
Subsequent Year Appropriations	436,550	0	436,550
Public School Support	33,236	0	33,236
Total Assigned	762,258	0	762,258
Unassigned	1,405,275	(82,945)	1,322,330
Total Fund Balance	\$ 2,174,794	\$ 646,961	\$ 2,821,755

Black River Local School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 17 - SET-ASIDES

The District is required by State statute to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvement Reserve
Set-Aside Restricted Balance, June 30, 2015	\$ 0
Current Year Set-Aside Requirement	204,438
Current Year Offset	(204,438)
Total	\$ 0
Balance Carried Forward to Fiscal Year 2017	\$ 0
Set-Aside Restricted Balance June 30, 2016	\$ 0

The District had offsets during the year that reduced the capital improvements set-aside amount to zero. Any excess of current year offsets or qualifying disbursements over the set-aside requirement may not be used to reduce the set-aside requirements of future years. The negative amount, therefore, would not be presented as being carried forward to the next fiscal year.

During fiscal year 1994, the District issued \$7,325,000 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods. As of June 30, 2016, the entire balance of \$7,325,000 was available to be used as offsets in future years.

Black River Local School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. To the extent of available balances at June 30, 2016, encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 293,779
Nonmajor Governmental	<u>101,468</u>
	<u><u>\$ 395,247</u></u>

NOTE 19 - FISCAL CAUTION

On February 8, 2011, the District was declared to be in a state of "Fiscal Caution" by the Auditor of State. In accordance with this law, within sixty days of the Auditor's declaration of fiscal caution, the Board of Education of the District had to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the District's current operating deficit and avoid future deficits. The plan was submitted on December 21, 2011. In fiscal year 2014, the District started collecting a \$1.6 million 5-year emergency levy for general operations, passed in fiscal year 2013.

Black River Local School District
Medina County, Ohio
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>			
District's Proportion of the Net Pension Liability	0.05046910%	0.05102495%	0.05102495%
District's Proportionate Share of the Net Pension Liability	\$ 13,948,183	\$ 12,411,034	\$ 14,783,942
District's Covered-Employee Payroll	\$ 5,372,929	\$ 5,213,346	\$ 5,579,485
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	259.60%	238.06%	264.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>			
District's Proportion of the Net Pension Liability	0.04935951%	0.04299000%	0.04299000%
District's Proportionate Share of the Net Pension Liability	\$ 2,816,501	\$ 2,175,699	\$ 2,556,477
District's Covered-Employee Payroll	\$ 1,486,320	\$ 1,249,214	\$ 1,243,215
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.49%	174.17%	205.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

Black River Local School District
Medina County, Ohio
Required Supplementary Information
Schedule of District Contributions
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 807,728	\$ 752,210	\$ 677,735	\$ 725,333
Contributions in Relation to the Contractually Required Contribution	<u>(807,728)</u>	<u>(752,210)</u>	<u>(677,735)</u>	<u>(725,333)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-Employee Payroll	\$ 5,769,486	\$ 5,372,929	\$ 5,213,346	\$ 5,579,485
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 198,267	\$ 195,897	\$ 173,141	\$ 172,061
Contributions in Relation to the Contractually Required Contribution	<u>(198,267)</u>	<u>(195,897)</u>	<u>(173,141)</u>	<u>(172,061)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-Employee Payroll	\$ 1,416,193	\$ 1,486,320	\$ 1,249,214	\$ 1,243,215
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 817,835	\$ 836,840	\$ 901,811	\$ 891,636	\$ 868,367	\$ 845,705
<u>(817,835)</u>	<u>(836,840)</u>	<u>(901,811)</u>	<u>(891,636)</u>	<u>(868,367)</u>	<u>(845,705)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 6,291,038	\$ 6,437,231	\$ 6,937,008	\$ 6,858,738	\$ 6,679,746	\$ 6,505,423
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 193,591	\$ 202,723	\$ 233,839	\$ 156,330	\$ 165,505	\$ 176,238
<u>(193,591)</u>	<u>(202,723)</u>	<u>(233,839)</u>	<u>(156,330)</u>	<u>(165,505)</u>	<u>(176,238)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,439,338	\$ 1,612,753	\$ 1,727,024	\$ 1,588,720	\$ 1,685,387	\$ 1,650,169
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster</u>			
Special Education - Grants to States	84.027	\$28,699	\$33,104
		245,806	244,688
Total Special Education -Grants to States		274,505	277,792
Special Education - Preschool Grants	84.173	2,342	2,342
Total Special Education Cluster		276,847	280,134
Title I Grants to Local Educational Agencies	84.010	71,582	96,313
		292,774	294,339
Total Title I Grants to Local Educational Agencies		364,356	390,652
Improving Teacher Quality State Grants	84.367	18,424	28,444
		70,674	71,008
Total Improving Teacher Quality State Grants		89,098	99,452
Total U.S. Department of Education		730,301	770,238
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555	160,819	160,819
Non-Cash Assistance		21,588	21,588
Total National School Lunch Program		182,407	182,407
School Breakfast Program	10.553	48,941	48,941
Total Child Nutrition Cluster		231,348	231,348
State Administrative Expenses for Child Nutrition	10.560	213	-
		88	88
Total State Administrative Expenses for Child Nutrition		213	88
Team Nutrition Grants	10.574		5,746
Total U.S. Department of Agriculture		231,560	237,182
Totals		\$961,862	\$1,007,420

The accompanying notes are an integral part of this schedule.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



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

Black River Local School District
Medina County
257-A County Road 40
Sullivan, Ohio 44880

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Black River Local School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Black River Local School District
Medina County
257-A County Road 40
Sullivan, Ohio 44880

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Black River Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Black River Local School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Black River Local School District, Medina County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 21, 2017

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies, CFDA 84.010; • Improving Teacher Quality, CFDA 84.367
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING 2016-001

Material Weakness - Purchasing Procedures

Black River Local School District's 6320A Administrative Guidelines requires requisitions-purchase orders to be approved and dated by the Superintendent and verified and approved by the Treasurer. When delivery is made, the requestor checks the goldenrod copy of the requisition-purchase order to ensure the order has been received correctly and in proper condition.

7 of the 60 transactions we tested were missing the Superintendent's initials indicating his approval of the purchase order. Failure to perform and document these approvals could result in the purchase of unauthorized goods/services.

The District should follow the procedures detailed in their administrative guidelines and ensure the Superintendent approves all requisition-purchase orders.

Official's Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Purchasing Controls: 4 of 38 transactions tested were missing Superintendent’s initials indicating approval, 1 of 38 transactions were missing Treasurer’s initials indicating verification of coding, and 2 of 38 transactions were missing verification of receipt.	Partially corrected	Reason for recurrence: FY15 audit was released in March 2016 at which time the District reviewed control procedures. FY16 exceptions occurred prior to March 2016.

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**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The District acknowledges this finding and is taking steps to correct it.	June 30, 2017	Connie I. Hange

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Dave Yost • Auditor of State

BLACK RIVER LOCAL SCHOOL DISTRICT

MEDINA 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
MARCH 30, 2017**