



**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



Dave Yost • Auditor of State

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2016**

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MIAMI COUNTY
JUNE 30, 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tipp City Exempted Village School District, Miami 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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinion on Aggregate Remaining Fund Information

We were unable to obtain sufficient appropriate audit evidence to support the \$413,837 of Extracurricular Activities revenue reported within Aggregate Remaining Fund Information (RFI). Consequently, we were unable to determine whether any adjustments to this amount were necessary, which represents 13.4% of total RFI revenues.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Aggregate Remaining Fund Information* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Aggregate Remaining Fund Information of the Tipp City Exempted Village School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Tipp City Exempted Village School District, Miami County, Ohio (the District) as of and for the year ended June 30, 2016, and the respective changes in its 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 Schedule of Expenditures of Federal Awards 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 November 1, 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 1, 2017

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TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

Our discussion and analysis of Tipp City Exempted Village School District's, (the District), financial performance provides an overview 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 financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at fiscal year-end, resulting in a deficit net position of \$16,467,518. This deficit resulted from the District recognizing its proportionate share of the net pension liabilities reported by the state retirement systems.
- The District's net position increased by \$3,705,317 or approximately 18%. The majority of this increase can be attributed to additional property tax revenue received during the year as well as management's ongoing efforts to implement efficiencies, adhere to staffing levels, and practice cost savings measures.
- As of the close of the current fiscal year, the combined governmental fund balances of the District were \$9,890,546; including the \$8,210,706 reported in the general fund.
- At the end of the current fiscal year, the unassigned fund balance for the general fund, the District's operating fund, was \$7,809,844 or 36% of total general fund expenditures.
- The District's debt obligations decreased by \$993,526 during the year.
- The District recognized the formation of a teachers union at the end of 2015. This resulted in an increase in salaries.

Using the Basic Financial Statements

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, and then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting prescribed for governmental entities. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position providing the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's two different types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

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 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 less financial resources available to spend in the near future to finance the District's 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 basic financial statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for its various student managed activities. All of the District's fiduciary activities are reported in separate a Statement of Fiduciary Assets and Liabilities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. A comparative analysis of fiscal year 2016 to 2015 follows:

**TABLE 1
NET POSITION JUNE 30**

	2016	2015
Assets:		
Current and Other Assets	\$ 26,787,811	22,628,735
Capital Assets	20,822,843	21,072,182
Total Assets	47,610,654	43,700,917
Deferred Outflows of Resources:		
Deferred Charge on Refunding	397,064	314,467
Pension	3,185,879	2,098,954
Total Deferred Outflows of Resources	3,582,943	2,413,421

(continued)

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

(Unaudited)

TABLE 1
NET POSITION JUNE 30
(Continued)

	2016	2015
Liabilities:		
Current Liabilities	2,376,006	2,226,353
Long-Term Liabilities:		
Due Within One Year	1,579,771	1,600,851
Due in More than One Year:		
Net Pension Liability	32,485,273	28,916,549
Other Amounts Due in More than One Year	14,426,695	15,147,058
Total Liabilities	50,867,745	47,890,811
Deferred Inflows of Resources:		
Property Taxes	14,297,381	13,150,647
Pension	2,495,989	5,245,715
Total Deferred Inflows of Resources	16,793,370	18,396,362
Net Position:		
Net Investment in Capital Assets	8,144,052	8,020,326
Restricted	885,669	550,064
Unrestricted	(25,497,239)	(28,743,225)
Total Net Position	\$ (16,467,518)	(20,172,835)

In the prior fiscal year, 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.

GASB Statement No. 68 (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.

Standards established by GASB 68 dictate 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,

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

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.

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 amount by which the District's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources is called net position. As of June 30, 2016 the District's total net position was a \$16.5 million deficit. Of that amount, approximately \$8.1 million was the net investment in capital assets. Another \$885,669 was subject to external restriction upon its use. The remainder is reported as unrestricted and is available for future use as directed by the Board of Education and the District's Administration. The decrease in the reported unrestricted deficit for the year resulted from the increase in assets and deferred outflows of resources being more than the increase in total liabilities plus deferred inflows of resources for the year. If the three reported amounts related to the net pension liability calculation are excluded, the unrestricted net position reported by the District would be a positive \$6.3 million instead of the \$25.5 million deficit currently reported. As the operation of the state-wide pension systems are outside the control of the District and can vary significantly from year to year based on performance of investments; it is important to know how significant the recognition of the net pension liability has on the District's reported net position.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

Total assets of governmental activities increased by \$3.9 million (9.0%) from the amount reported one year prior. Pooled cash and cash equivalents reported at June 30, 2016 increased by \$3.4 million (49.4%) from the total reported in the prior year as the \$2.3 million budgeted surplus for the year was increased by additional property tax and intergovernmental foundation revenues received during the year. At year end, capital assets represented 43.7% of total assets. Capital assets include land, land improvements, buildings and improvements, and machinery and equipment. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For fiscal year 2016, the District's net capital assets decreased by \$249,339 as current year depreciation expense exceeded the additions to capital assets. The increase in total liabilities and decrease in total deferred inflows of resources resulted from recognition of the District's proportionate share of the state-wide net pension liability components.

A comparative analysis of the change in net position for fiscal year 2016 and 2015 follows:

**TABLE 2
CHANGE IN NET POSITION, JUNE 30**

	2016	2015
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,256,954	2,157,200
Operating Grants and Contributions	1,259,750	1,277,030
General Revenues:		
Property Taxes	14,806,122	13,862,002
Grants and Entitlements	10,399,641	10,493,060
Other	233,485	188,709
Total Revenues	28,955,952	27,978,001
Expenses:		
Instruction	14,879,548	14,255,485
Support Services:		
Pupils and Instructional Staff	1,672,859	1,667,566
Board of Education, Administration		
Fiscal and Business	2,876,606	2,662,863
Operation and Maintenance of Plant	2,002,946	1,909,226
Pupil Transportation	1,211,042	1,153,848
Central	274,947	283,699
Operation of Non-Instructional Services	721,683	748,791
Extracurricular Activities	1,118,352	1,136,274
Interest, Fiscal Charges, and Issuance Costs	492,652	655,429
Total Expenses	25,250,635	24,473,181
Change in Net Position	3,705,317	3,504,820
Beginning Net Position	(20,172,835)	(23,677,655)
Ending Net Position	\$ (16,467,518)	(20,172,835)

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

(Unaudited)

The table above demonstrates the efforts management has placed in controlling operating expenses of the District. In fact, while expenses related to personnel costs (wages, benefits, and step increase) continue to increase annually, other areas have been reduced to ensure the overall increase in expenses is as minimal as possible.

Total revenues reported for fiscal year 2016 increased by \$977,951 (3.5%) over those reported for the prior fiscal year. Program revenues totaled \$3.5 million for the current fiscal year compared to the \$3.4 million reported for prior year. The slight increase in program revenues resulted from higher tuition and fees revenue for fiscal year 2016 from those received in the prior year. Program revenues represented 12.1% of the District's total revenues reported for fiscal year 2016. The remaining revenue sources, classified as general revenues, accounted for the remaining 87.9% of the total revenue sources and are comprised primarily of property tax and unrestricted intergovernmental revenues. Property tax revenues reported for the current year increased by \$944,120 over those reported for the prior year as fiscal year 2016 represents the first fiscal year the District received tax revenues under the new 4.95 mill emergency operating levy approved by voters in May 2015. The full effect of the new levy, estimated to generate approximately \$1.85 million per year, will not be realized until fiscal year 2017. Combined, property taxes and unrestricted intergovernmental revenues account for 87.1% of the District's total revenue received for fiscal year 2016.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues including tax revenue, investment earnings and unrestricted State entitlements must support the net cost of program services. Comparisons to 2015 are as follows:

**TABLE 3
TOTAL AND NET COST OF PROGRAM SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30,**

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 14,879,548	(12,991,026)	14,255,485	(12,377,055)
Support Services	8,038,400	(7,909,941)	7,677,202	(7,589,060)
Non-Instructional Services	721,683	(75,003)	748,791	(112,388)
Extracurricular Activities	1,118,352	(265,309)	1,136,274	(305,019)
Interest, Fiscal Charges, and Issuance Costs	492,652	(492,652)	655,429	(655,429)
Total Expenses	\$ 25,250,635	(21,733,931)	24,473,181	(21,038,951)

The District is heavily reliant upon general revenue resources to finance operations. During fiscal year 2016, general revenues accounted for 87.9% of total revenues, with property tax revenue accounting for 51.1% alone. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for approximately \$21.7 million of support to finance the functions. In total, general revenues were used to cover 86.1% of total expenses. Combined, the revenues

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016*

(Unaudited)

generated by the non-instructional services and extracurricular activities functions covered 81.5% of the total expenses of those two functional areas for the fiscal year.

The District's Funds

The financial statements for the District's governmental funds (starting after the Statement of Activities) report major funds (general and debt service funds) individually and combine all other governmental funds into one column for reporting purposes. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$29.1 million and expenditures of \$26.2 million. Overall fund balance of governmental funds increased \$3.0 million over those at June 30, 2015.

The general fund is the primary operating fund of the District. The general fund balance increased by \$3.0 million during the year compared to the \$2.6 million increase reported for the prior year. The additional revenues received through property taxes as well as the State foundation program are recorded within the general fund which account for the majority of the \$1.0 million increase in general fund revenues reported for the current fiscal year compared to those of the prior year. The increases in revenues for the general fund was partially offset by the increases in other functional categories that resulted from personnel and benefit costs increases, as well as general inflationary increases in other areas. Overall, the unassigned fund balance reported for the general fund at June 30, 2016 represents 36% of the total expenditures reported for the fund for the fiscal year compared with 23% for fiscal year 2015.

The debt service fund is utilized by the District to account for general bonded debt activity approved by voters. As such the financial activity is typically limited to property tax revenues and debt service expenditures. During fiscal year 2016, this fund reported a net decrease in fund balance of \$201,248 ending the fiscal year with a balance of \$1.2 million that is restricted for future debt service payments. The decrease in fund balance resulted from the net effect of the debt refunding transaction.

General Fund Budget Information

Prior to the start of fiscal year 2016, the District adopted the budget for the general fund which anticipated ending the twelve month period with an ending budgetary fund balance of \$7.6 million. As the year progressed, the budget was amended several times as uncertainties that existed before the year became known. Overall, the effects of the various budgetary amendments had little overall impact on the general fund balance. The actual ending budgetary fund balance reported by the District at June 30, 2016 was \$8.2 million which was \$681,273 more than what was originally anticipated prior to the start of fiscal year 2016 as the additional revenues received during the year were not budgeted for expenditure.

Actual budgetary revenues were \$18.0 million compared with original budgetary estimates of \$17.6 million. Actual budgetary expenditures (actual expenditures plus outstanding encumbrances) totaled \$14.8 million compared to the \$15.0 million anticipated in the initial appropriations adopted for fiscal year. The insignificant difference between original budgetary estimates compared to the actual results reported for the fiscal year indicate the effectiveness of the budgetary process adopted by the District.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

(Unaudited)

Capital Assets

At the end of the fiscal year 2016, the District had \$20.8 million invested in land, land improvements, buildings and improvements, and equipment and machinery. Table 4 shows the fiscal year 2016 balances compared to fiscal year 2015.

TABLE 4
NET CAPITAL ASSETS, JUNE 30

	2016	2015
Land	\$ 2,278,313	1,928,313
Land Improvements	1,629,785	1,929,624
Buildings and Improvements	15,819,552	16,284,395
Machinery and Equipment	1,095,193	929,850
Total Net Capital Assets	\$ 20,822,843	21,072,182

During the fiscal year, the District reported capital asset additions totaling \$743,070, including \$350,000 of land purchased for future use and \$267,936 for purchases of busses and other vehicles. Depreciation expense totaled \$992,012 for the year. Additional information regarding capital assets can be found in Note 9 of this report.

Debt Administration

At June 30, 2016, the District reported \$13.9 million in long-term liabilities related to outstanding debt obligations; \$13.0 million of general obligation bonds, \$791,601 of energy conservation notes payable, and \$114,190 of capital leases payable. Of the \$13.9 million outstanding at year end, \$1.4 million is scheduled for payment within the next fiscal year.

During fiscal year 2016, the District issued \$11,965,000 of general obligations bonds. \$360,000 of the total bonds issued was utilized to purchase property for future use. The remaining \$11,605,000 was placed into an irrevocable trust to provide for the advanced refunding of \$11,605,000 in 2006 multi-purpose bonds. The advance refundings of the 2006 bonds were undertaken to reduce the District's net debt service by \$1,070,998 over the next 10 years and resulted in an economic gain of \$829,370.

Additional detailed information regarding long-term debt obligations is included in Note 10 to the basic financial statements.

Contacting the District

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the District's financial position and to show the District's accountability for the funds it receives. Should you have any questions about this report or any other financial matter, contact the Treasurer's Office at Tipp City Exempted Village School District, 90 South Tippecanoe Drive, Tipp City, Ohio 45371.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Statement of Net Position
June 30, 2016*

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 10,324,945
Materials and Supplies Inventory	6,223
Accounts Receivable	26,068
Intergovernmental Receivable	148,274
Property and Other Local Taxes Receivable	16,282,301
Capital Assets:	
Land	2,278,313
Depreciable Capital Assets, net	18,544,530
<i>Total Assets</i>	47,610,654
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Charge on Refunding	397,064
Pension	3,185,879
<i>Total Deferred Outflows of Resources</i>	3,582,943
LIABILITIES:	
Accounts Payable	139,923
Accrued Wages and Benefits	1,798,714
Intergovernmental Payable	410,879
Accrued Interest Payable	26,490
Long-Term Liabilities:	
Due Within One Year	1,579,771
Due in More Than One Year:	
Net Pension Liability	32,485,273
Other Amounts Due in More Than One Year	14,426,695
<i>Total Liabilities</i>	50,867,745
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes not Levied to Finance Current Year Operations	14,297,381
Pension	2,495,989
<i>Total Deferred Inflows of Resources</i>	16,793,370
NET POSITION:	
Net Investment in Capital Assets	8,144,052
Restricted for:	
Debt Service	301,576
Capital Projects	397,666
District Managed Student Activities	142,812
Federal and State Educational Grants	18
Other Purposes	43,597
Unrestricted	(25,497,239)
<i>Total Net Position</i>	\$ (16,467,518)

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Statement of Activities
For the Fiscal Year Ended June 30, 2016*

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 14,879,548	\$ 1,033,038	\$ 855,484	\$ (12,991,026)
Support Services:				
Pupils	1,098,563	-	-	(1,098,563)
Instructional Staff	574,296	-	9,000	(565,296)
Board of Education	26,629	-	-	(26,629)
Administration	2,054,683	-	-	(2,054,683)
Fiscal	632,212	-	-	(632,212)
Business	163,082	-	-	(163,082)
Operation and Maintenance of Plant	2,002,946	101,436	-	(1,901,510)
Pupil Transportation	1,211,042	9,442	8,581	(1,193,019)
Central	274,947	-	-	(274,947)
Operation of Non-Instructional Services:	721,683	415,450	231,230	(75,003)
Extracurricular Activities:	1,118,352	697,588	155,455	(265,309)
Interest, Fiscal Charges, and Issuance Costs	492,652	-	-	(492,652)
Total Governmental Activities	\$ 25,250,635	\$ 2,256,954	\$ 1,259,750	(21,733,931)
General Revenues:				
Property Taxes Levied for:				
General Purposes				12,898,053
Debt Service				1,354,398
Capital Projects				553,671
Grants and Entitlements not Restricted to Specific Programs				10,399,641
Investment Earnings				34,582
Miscellaneous				198,903
Total General Revenues				25,439,248
Change in Net Position				3,705,317
Net Position - Beginning of Year				(20,172,835)
Net Position - End of Year				\$ (16,467,518)

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2016*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 8,730,878	\$ 1,012,322	\$ 581,745	\$ 10,324,945
Materials and Supplies Inventory	-	-	6,223	6,223
Accounts Receivable	26,058	-	10	26,068
Interfund Receivable	64,545	-	-	64,545
Intergovernmental Receivable	1,366	-	146,908	148,274
Property and Other Local Taxes Receivable	14,265,226	1,429,981	587,094	16,282,301
<i>Total Assets</i>	<u>\$ 23,088,073</u>	<u>\$ 2,442,303</u>	<u>\$ 1,321,980</u>	<u>\$ 26,852,356</u>
LIABILITIES:				
Accounts Payable	67,566	-	72,357	139,923
Accrued Wages and Benefits	1,687,459	-	111,255	1,798,714
Interfund Payable	-	-	64,545	64,545
Intergovernmental Payable	392,954	-	17,925	410,879
<i>Total Liabilities</i>	<u>2,147,979</u>	<u>-</u>	<u>266,082</u>	<u>2,414,061</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes not Levied to Finance				
Current Year Operations	12,530,314	1,252,721	514,346	14,297,381
Unavailable Revenue	199,074	20,276	31,018	250,368
<i>Total Deferred Inflows of Resources</i>	<u>12,729,388</u>	<u>1,272,997</u>	<u>545,364</u>	<u>14,547,749</u>
FUND BALANCES:				
Nonspendable:				
Materials and Supplies Inventory	-	-	6,223	6,223
Restricted:				
Debt Service	-	1,169,306	-	1,169,306
Capital Outlay	-	-	390,144	390,144
Student Activities	-	-	142,812	142,812
State and Federal Grant Programs	-	-	684	684
Other Purposes	-	-	43,597	43,597
Assigned:				
School Supported Activities	193,752	-	-	193,752
School Supplies	103,874	-	-	103,874
Future Purchases	103,236	-	-	103,236
Unassigned (Deficit)	7,809,844	-	(72,926)	7,736,918
<i>Total Fund Balances</i>	<u>8,210,706</u>	<u>1,169,306</u>	<u>510,534</u>	<u>9,890,546</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 23,088,073</u>	<u>\$ 2,442,303</u>	<u>\$ 1,321,980</u>	<u>\$ 26,852,356</u>

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016*

Total Governmental Fund Balances	\$	9,890,546
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,822,843
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		
Property Taxes Receivable		227,457
Intergovernmental Receivable		22,911
Certain items will not be recognized as expenditures for the current period and therefore are reported as deferred outflows of resources on the statement of net position.		
Deferred Charge on Refunding		397,064
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds		(12,159,994)
Bond Premium		(10,070)
Accretion on Capital Appreciation Bonds		(863,829)
Energy Conservation Notes		(791,601)
Capital Leases Payable		(114,190)
Compensated Absences		(2,066,782)
Accrued Interest on Long-Term Debt		(26,490)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred outflows and inflows of resources are not reported in governmental funds.		
Deferred Outflows - Pension		3,185,879
Deferred Inflows - Pension		(2,495,989)
Net Pension Liability		<u>(32,485,273)</u>
Net Position of Governmental Activities	\$	<u>(16,467,518)</u>

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$ 12,885,200	\$ 1,356,009	\$ 554,212	\$ 14,795,421
Intergovernmental	10,208,373	254,585	1,112,091	11,575,049
Interest	34,576	-	6	34,582
Tuition and Fees	1,042,480	-	-	1,042,480
Rent	101,436	-	-	101,436
Extracurricular Activities	267,338	-	413,837	681,175
Gifts and Donations	43,461	-	180,142	223,603
Customer Sales and Services	-	-	405,123	405,123
Miscellaneous	209,271	-	16,372	225,643
<i>Total Revenues</i>	<u>24,792,135</u>	<u>1,610,594</u>	<u>2,681,783</u>	<u>29,084,512</u>
EXPENDITURES:				
Current:				
Instruction	13,248,850	-	857,892	14,106,742
Support Services:				
Pupils	1,110,810	-	2,538	1,113,348
Instructional Staff	430,081	-	133,462	563,543
Board of Education	26,629	-	-	26,629
Administration	1,996,925	-	8,547	2,005,472
Fiscal	601,125	22,332	19,141	642,598
Business	162,620	-	-	162,620
Operation and Maintenance of Plant	1,977,653	-	-	1,977,653
Pupil Transportation	959,553	-	79,305	1,038,858
Central	273,902	-	-	273,902
Operation of Non-Instructional Services	16,320	-	690,654	706,974
Extracurricular Activities	703,808	-	401,638	1,105,446
Capital Outlay	129,637	-	671,066	800,703
Debt Service:				
Principal	61,414	1,200,000	63,432	1,324,846
Interest	22,349	227,499	7,110	256,958
Issuance Costs	-	127,402	-	127,402
<i>Total Expenditures</i>	<u>21,721,676</u>	<u>1,577,233</u>	<u>2,934,785</u>	<u>26,233,694</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	3,070,459	33,361	(253,002)	2,850,818
OTHER FINANCING SOURCES AND USES:				
General Obligations Bonds Issued	-	-	360,000	360,000
Refunding Bonds Issued	-	11,605,000	-	11,605,000
Payment to Refunded Bond Escrow Agent	-	(11,839,609)	-	(11,839,609)
Transfers In	-	-	39,500	39,500
Transfers Out	(39,500)	-	-	(39,500)
<i>Total Other Financing Sources and Uses</i>	<u>(39,500)</u>	<u>(234,609)</u>	<u>399,500</u>	<u>125,391</u>
<i>Net Change in Fund Balances</i>	3,030,959	(201,248)	146,498	2,976,209
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>5,179,747</u>	<u>1,370,554</u>	<u>364,036</u>	<u>6,914,337</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 8,210,706</u>	<u>\$ 1,169,306</u>	<u>\$ 510,534</u>	<u>\$ 9,890,546</u>

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds \$ 2,976,209

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

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

Capital Asset Additions	743,070	
Depreciation Expense	(992,012)	
Carrying Value of Capital Asset Disposals	<u>(397)</u>	(249,339)

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

Decrease in Unavailable Property Tax Revenue	10,701	
Increase in Unavailable Intergovernmental Revenue	<u>(139,261)</u>	(128,560)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, deferred loss on refunding debt when first issued, whereas these amounts are amortized in the statement of activities.

Repayment of Long-Term Bonds, Notes, and Capital Leases	1,324,846	
Current Year Amortization of Bond Premium	10,070	
Current Year Accretion on Capital Appreciation Bonds	(61,951)	
Current Year Amortization of Deferred Charge on Refunding	(71,451)	
General Obligation Bonds Issued	(11,965,000)	
Payment to Escrow Agent for Advance Bond Refunding	<u>11,839,609</u>	1,076,123

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expense is reported when due.

15,040

Some expenses reported in the statement of activities do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Increase in Compensated Absences Payable		(252,083)
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Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.

1,857,042

Except for amounts reported as deferred inflows and outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.

(1,589,115)

Change in Net Positon of Governmental Activities

\$ 3,705,317

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*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*

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 7,185,807	\$ 7,185,807	\$ 7,214,739	\$ 28,932
Intergovernmental	9,348,648	9,348,648	9,559,878	211,230
Interest	6,275	6,275	21,375	15,100
Tuition and Fees	806,139	806,139	890,773	84,634
Rent	25,000	25,000	101,436	76,436
Extracurricular Activities	100,000	100,000	103,951	3,951
Miscellaneous	78,859	78,859	151,661	72,802
<i>Total Revenues</i>	<u>17,550,728</u>	<u>17,550,728</u>	<u>18,043,813</u>	<u>493,085</u>
Expenditures:				
Current:				
Instruction	6,322,374	6,347,364	6,521,794	(174,430)
Support Services:				
Pupils	1,283,454	1,282,304	1,118,578	163,726
Instructional Staff	418,987	425,045	425,502	(457)
Board of Education	38,611	38,611	27,480	11,131
Administration	2,014,711	2,066,711	2,064,685	2,026
Fiscal	638,920	586,504	521,406	65,098
Business	162,565	162,565	160,540	2,025
Operation and Maintenance of Plant	2,029,092	2,042,417	1,994,551	47,866
Pupil Transportation	1,120,901	1,100,901	983,288	117,613
Central	294,699	294,739	267,510	27,229
Operation of Non-Instructional Services	15,346	15,346	16,313	(967)
Extracurricular Activities	546,834	546,834	509,888	36,946
Capital Outlay	5,000	130,000	129,637	363
Debt Service:				
Principal	61,414	61,414	61,414	-
Interest	22,349	22,349	22,349	-
<i>Total Expenditures</i>	<u>14,975,257</u>	<u>15,123,104</u>	<u>14,824,935</u>	<u>298,169</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,575,471</u>	<u>2,427,624</u>	<u>3,218,878</u>	<u>791,254</u>
Other Financing Sources (Uses):				
Advances In	5,000	5,000	58,000	53,000
Proceeds From Sale of Capital Assets	-	-	19,693	19,693
Refund of Prior Year Expenditures	10,000	10,000	27,549	17,549
Transfers Out	(45,000)	(52,831)	(52,831)	-
Advances Out	(20,000)	(64,545)	(64,545)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(102,376)</u>	<u>(12,134)</u>	<u>90,242</u>
<i>Net Change in Fund Balance</i>	2,525,471	2,325,248	3,206,744	881,496
Fund Balance, July 1	5,003,223	5,003,223	5,003,223	-
Prior Year Encumbrances	30,252	30,252	30,252	-
Fund Balance, June 30	<u>\$ 7,558,946</u>	<u>\$ 7,358,723</u>	<u>\$ 8,240,219</u>	<u>\$ 881,496</u>

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	<u>Agency</u> <u>Funds</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 74,815
<i>Total Current Assets</i>	<u>74,815</u>
<i>Total Assets</i>	<u><u>74,815</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	442
Undistributed Monies	1,516
Due to Students	<u>72,857</u>
<i>Total Current Liabilities</i>	<u>74,815</u>
<i>Total Liabilities</i>	<u><u>\$ 74,815</u></u>

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

1. Description of the District and Reporting Entity

The Tipp City Exempted Village School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected, five member Board of Education (the Board) which provides educational services.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading.

The primary government consists of all funds and departments, which provide various services including instruction, student guidance, extracurricular activities, food service, pre-school, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

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 body 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; (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 for which the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is associated with organizations which are defined as an insurance purchasing pool, jointly governed organizations, and a related organization. Information about the insurance pool organization (Southwestern Ohio Educational Purchasing Cooperative Group Rating Program) can be found in Note 11 to the basic financial statements. Additional details on the four organizations defined as jointly governed organizations (Southwestern Ohio Instructional Technology Association, Southwestern Ohio Educational Purchasing Council, Miami Valley Career Technology Center, and META Solutions) can be found in Note 17 to the basic financial statements. Information on the Tipp City Public Library, defined as a related organization, can be located in Note 18 to the basic financial statements.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to 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 more significant of the District's policies are described below.

a. Fund Accounting

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

Governmental Funds

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources that are restricted for the payment of general long-term debt principal, interest and related costs.

Other governmental funds of the District may be used to account for specific resources that are restricted or committed to specified purposes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. The District's agency funds account for the financial activity of various student managed activities as well as state athletic tournament games held at District facilities.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

b. Basis of Presentation

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 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. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental 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 requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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 non-major funds are aggregated into one column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities, as well as deferred inflows of resources, are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current fund balances.

Agency funds have no measurement focus.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

c. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis fiduciary funds.

Revenues, Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty (60) days after year end.

Non-exchange 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 met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, tuition, intergovernmental grants and student fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 12.

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,

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

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 includes delinquent property taxes and intergovernmental grants. 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 and are further explained in Note 12.

Expenditures/Expenses

The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities to the extent that payments come due each period upon the occurrence of employee resignations and retirements. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized for the government-wide financial statements recognize revenues when they are earned, and expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated, however the District elects to adopt appropriations and budgets for its agency funds. The legal level of control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing on the following July 1. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

Estimated Resources

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2016.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures from

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

exceeding appropriations. On the fund financial statement encumbrances are reported within the restricted, committed or assigned fund balances depending on the restrictions placed upon the resources encumbered. For the general fund, encumbrances are reported as a component of assigned fund balance indicating that amount is not currently available. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

d. Cash and Investments

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account (See Note 5 for additional details).

Cash and cash equivalents include investments of the investment pool as well as individual investments with original maturities of three months or less.

Under existing Ohio statutes, all investment earnings accrue to the general fund unless specifically required to be allocated to other funds. During fiscal year 2016 interest earnings were allocated to the general and food service funds. Investment earnings credited to the general fund during the fiscal year amounted to \$34,576, which includes \$6,679 assigned from other District funds. The food service fund also posted interest revenue of \$6 during the fiscal year.

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

For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

e. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market using the first in, first out (FIFO) method and are expensed when used.

On fund financial statements, inventories of governmental funds are valued at cost. For all funds, cost is determined using the FIFO method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption, and supplies held for resale. The cost is recorded as an expenditure when used. Reported inventories in these funds are reported as a non-spendable component of fund balance.

f. Capital Assets and Depreciation

General capital assets are reported in 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 follows the policy of not capitalizing assets with a cost of less than \$1,500 and a useful life of less than 1 year. The District does not possess any infrastructure.

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

<u>Description</u>	<u>Useful Life (years)</u>
Land Improvements	20
Buildings and Improvements	20 - 50
Machinery and Equipment	5 - 20

g. Interfund Balances

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 statement of net position.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

h. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a cumulative maximum of 210 days. Upon retirement, employees can receive a portion of the sick leave between 27% to 39%, depending on the type of employment contract. In addition, a Merit Service Retirement Award may be paid for sick leave balances in excess of the 210 days depending upon the type of employment contract.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

i. Accrued Liabilities and Long-term Obligations

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, compensated absences paid from governmental funds (typically the general fund) are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt service paid from governmental funds is not recognized as a liability in the fund financial statements until they come due.

j. 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.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

k. Fund Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted – amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the District's highest level of decision-making authority, the Board of Education.

Assigned – amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned – residual fund balance within the general fund that is in spendable form that is not restricted, committed or assigned. 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 an expenditure is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

l. Net Position

Net position represents the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

2. Summary of Significant Accounting Policies (continued)

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, regulations or other governments. There was no net position restricted by enabling legislation at June 30, 2016.

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

m. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements to avoid “doubling up” revenues and expenses. Flows of cash or goods from one fund to another without requirement of repayment are reported as interfund transfers. Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are also eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Repayments from funds responsible for particular expenditures to the fund(s) that initially paid for them are not presented on the financial statements.

n. Estimates

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

3. Accountability and Compliance

a. Change in Accounting Principles

For fiscal year 2016, the District implemented the Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and 68, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments, as well as requiring certain disclosures related to all fair value measurements be presented. GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose financial reports of state and local governments for making decisions and assessing accountability.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

3. **Accountability and Compliance** (continued)

GASB Statement No. 76 elevates GASB Implementation Guides in the GAAP hierarchy as well as emphasizing importance of analogies to authoritative literature when not specified in authoritative GAAP. GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost as well as requiring additional not disclosure requirements for governments that participate in those investment pools. The School District participates in STAR Ohio which implemented the provisions of GASB 79 for fiscal year 2016.

The District implemented the applicable provisions of the GASB Statements noted above in the fiscal year 2016 financial statements, however, none of the aforementioned Statements had an effect on beginning net position or fund balance.

It should also be noted that in June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the reporting entity to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The District has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements.

b. Deficit Fund Balances

Individual fund deficits reported at June 30, 2016 include the following:

<u>Non-Major Funds</u>	<u>Deficit</u>
Food Service Operations	\$ 35,223
Title III Grant	422
Title I Grant	22,815
Title IIA, Improving Teacher Quality Grant	8,243

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

4. Budgetary Basis of Accounting

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

- Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- In order to determine compliance with Ohio law, and reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- 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 are as follows:

Net Change in Fund Balance	
	General Fund
Budget Basis	\$ 3,206,744
Adjustments:	
Revenue Accruals	(286,880)
Expenditure Accruals	(60,519)
Encumbrances	134,206
Other Financing Sources (Uses)	(27,366)
Perspective Budgeting Difference	64,774
GAAP Basis	\$ 3,030,959

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

5. Deposits and Investments

State statutes require the classification of monies held by the District into three categories.

Active Monies - Those monies required to be kept in a “cash” or “near-cash” status for immediate use by the district. Such monies must be maintained either as cash in the District Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies - 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. Ohio law permits interim monies to be invested in legal securities, as listed below.

- United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasurer’s investment pool (STAR Ohio);

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

5. Deposits and Investments (continued)

- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time, and;
- 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 table 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 of 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

The carrying amount of all District deposits was \$5,102,402, which includes \$17,490 of cash on hand, and bank deposits totaled \$5,111,325 at June 30, 2016. Of the District's bank balance \$4,846,130 was exposed to custodial risk as discussed below, while \$265,195 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All 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 and the District's investment policy, 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 a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Investments

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

<u>Investment Type</u>	<u>Fair</u>	<u>Maturity (in years)</u>		
	<u>Value</u>	<u>less than 1</u>	<u>1-3</u>	<u>more than 3</u>
Negotiable Certificates of Deposits	\$ 1,457,099	\$ 1,252,415	\$ -	\$ 204,684
Money Market	318,542	318,542	-	-
STAR Ohio	1,010,695	1,010,695	-	-
STAR Ohio - Plus	<u>2,511,022</u>	<u>2,511,022</u>	-	-
Total	<u>\$ 5,297,358</u>	<u>\$ 5,092,674</u>	<u>\$ -</u>	<u>\$ 204,684</u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

5. **Deposits and Investments** (continued)

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.

Credit Risk

The District follows Ohio Revised Code (ORC) which limits the amount of credit risk it's going to allow any district to become involved in. It accomplishes this by compiling a specific list of investments, to the exclusion of all other investments, which school districts are legally allowed to participate in. The District has no policy limiting investments based on credit risk other than those established by ORC.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment in STAR Ohio was rated AAAM by Standard & Poor's. Investments in negotiable CDs and money market accounts are not rated.

Concentration of Credit Risk

The District places a limit on the percentage of the portfolio that may be held in the form of commercial paper, other than this stipulation, the District places no limit on the amount that may be invested in any one issuer. The investment in negotiable CDs, money market, STAR Ohio, and STAR Ohio Plus represented 28%, 6%, 19% and 47% of the District's June 30, 2016 investment portfolio, respectively.

Fair Value Measurement

The District's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment's risk. The District's investment in negotiable certificates of deposits (noted above) are classified as level 2 based on the valuation based on pricing sources as provided by the investment managers.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

6. Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District's 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.

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 collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

	2016 First Half Collections	2015 Second Half Collections
Agricultural/Residential and Other Real Estate	\$ 365,531,810	\$ 363,660,080
Public Utility Personal	9,611,320	9,426,590
Total Assessed Value	\$ 375,143,130	\$ 373,086,670
Tax rate per \$1,000 of assessed valuation	\$59.66	\$54.82

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

7. Interfund Transactions

Interfund balances on the fund statements at June 30, 2016 consist of the following receivables and payables:

Fund	Receivable	Payable
General Fund	\$ 64,545	
Non-Major Governmental Funds:		
Title VIB Grant		\$ 36,000
Title III Grant		145
Title I Grant		23,250
Title II-A Grant		5,150
	\$ 64,545	\$ 64,545

Interfund advances were made by the general fund to other governmental funds to cover any deficit unencumbered balance. Funds will be returned to the general fund within one year from June 30, 2016.

In addition, during the fiscal year the general fund transferred \$39,500 to the food service non-major fund to provide operating resources.

8. Receivables

Receivables at June 30, 2016 consisted of taxes, accounts (tuition and student fees), 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. Intergovernmental receivable consisted of the following:

	Amount
General Fund:	
Medical Reimbursement	\$ 1,366
Non-Major Governmental Funds:	
IDEA, Part B Grant	95,461
Title III, LEP Grant	585
Title I Grant	45,690
Title IIA, Improving Teacher Quality Grant	5,172
Total	\$ 148,274

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

9. Capital Assets

A summary of capital asset activity during the fiscal year follows:

	<u>Balance at 7/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/2016</u>
<u>Capital Assets, not being depreciated:</u>				
Land	\$ 1,928,313	\$ 350,000	\$ -	\$ 2,278,313
<u>Capital Assets, being depreciated:</u>				
Land Improvements	4,327,963	40,502	-	4,368,465
Buildings and Improvements	26,619,130	43,956	(35,456)	26,627,630
Machinery and Equipment	4,890,125	308,612	(242,898)	4,955,839
Total Cost	<u>37,765,531</u>	<u>743,070</u>	<u>(278,354)</u>	<u>38,230,247</u>
<u>Less: Accumulated Depreciation:</u>				
Land Improvements	(2,398,339)	(340,341)	-	(2,738,680)
Buildings	(10,334,735)	(508,402)	35,059	(10,808,078)
Vehicles	(3,960,275)	(143,269)	242,898	(3,860,646)
Total Depreciation	<u>(16,693,349)</u>	<u>(992,012) *</u>	<u>277,957</u>	<u>(17,407,404)</u>
Total Capital Assets, net	<u>\$ 21,072,182</u>	<u>\$ (248,942)</u>	<u>\$ (397)</u>	<u>\$ 20,822,843</u>

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

Instruction	\$ 835,391
Support Services:	
Pupil Support	216
Instructional Support	976
Administrative	5,159
Operation and Maintenance	12,714
Pupil Transportation	101,054
Non-Instructional Services	22,749
Extracurricular Activities	<u>13,753</u>
Total Depreciation Expense	<u>\$ 992,012</u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

10. Long-Term Obligations

The activity of the District's long-term obligations during fiscal year 2016 was as follows:

	<u>Balance 7/1/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2016</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds:					
2006 Multi-Purpose					
Bonds, 3.0%-5.0%	\$ 12,234,985	\$ -	\$ (12,039,991)	\$ 194,994	\$ 194,994
Interest Accretion	1,566,887	61,951	(765,009)	863,829	885,006
Bond Premium	100,701	-	(90,631)	10,070	-
	<u>13,902,573</u>	<u>61,951</u>	<u>(12,895,631)</u>	<u>1,068,893</u>	<u>1,080,000</u>
2015 Refunding Bonds					
Serial Interest, 2.53%	-	6,860,000	-	6,860,000	155,000
2016 Refunding Bonds					
Term, 1.65%	-	4,745,000	-	4,745,000	-
2016 Land Acquisition					
Bonds, 1.95%	-	360,000	-	360,000	30,000
Total General Obligation Bonds	<u>13,902,573</u>	<u>12,026,951</u>	<u>(12,895,631)</u>	<u>13,033,893</u>	<u>1,265,000</u>
Energy Conservation Notes:					
HB 264 Improvements, 2.62%	853,015	-	(61,414)	791,601	63,023
Net Pension Liability:					
SERS	4,579,394	597,577	-	5,176,971	-
STRS	24,337,155	2,971,147	-	27,308,302	-
Total Net Pension Liability	<u>28,916,549</u>	<u>3,568,724</u>	<u>-</u>	<u>32,485,273</u>	<u>-</u>
Capital Leases Payable	177,622	-	(63,432)	114,190	64,748
Compensated Absences	1,814,699	342,257	(90,174)	2,066,782	187,000
Total Governmental Activities	<u>\$ 45,664,458</u>	<u>\$ 15,937,932</u>	<u>\$ (13,110,651)</u>	<u>\$ 48,491,739</u>	<u>\$ 1,579,771</u>

a. **General Obligations Bonds**

In 2001, the District issued \$22 million in general obligation bonds for the purpose of constructing a new high school. In 2006, an additional \$2 million of general obligation bonds were issued for school construction and \$15.6 million of refunding bonds were issued.

The majority of 2006 multi-purpose general obligations bonds were refunded during fiscal year 2016 through the issuance of the 2015 and 2016 refunding bonds series. The \$6.9 million 2015 refunding bond issue consists of serial interest bonds bearing an interest rate of 2.53% that has a final maturity of December 1, 2024. The \$4.7 million 2016 refunding bond issue is a single term bond bearing an interest rate of 1.65% that has a final maturity of December 1, 2021.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

10. Long-Term Obligations (continued)

The 2016 refunding bond issue is subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of the redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2016	\$ 35,000
2017	1,125,000
2018	1,145,000
2019	1,155,000
2020	1,175,000
2021	<u>110,000</u>
Total	<u>\$ 4,745,000</u>

In 2015, the District issued \$360,000 of land acquisition bonds to provide financing for the acquisition of real estate for school district purposes. These bonds carry an interest rate of 1.95% and have interest payment dates of June 1st and December 1st each year, beginning June 1, 2016. Principal payment dates of December 1st each year have been established beginning on December 1, 2016 and concluding on December 1, 2025. These bonds are subject to optional redemption, at the option of the District, on any date on or after December 1, 2020 at a redemption price equal to 101% of the par value of the bonds to be redeemed.

A summary of the District's future debt service payments, including principal and interest payments, related to general obligation bonds are as follows (interest accretion on capital appreciation bonds is shown as interest in table below):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 379,994	\$ 1,160,473	\$ 1,540,467
2018	190,000	242,203	432,203
2019	190,000	218,872	408,872
2020	195,000	195,229	390,229
2021	205,000	171,150	376,150
2022-2026	<u>11,000,000</u>	<u>334,872</u>	<u>11,334,872</u>
Total	<u>\$ 12,159,994</u>	<u>\$ 2,322,799</u>	<u>\$ 14,482,793</u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

10. Long-Term Obligations (continued)

b. Energy Conservation Notes

In 2013, the District issued \$1,028,010 of energy conservation notes through the Ohio School Facilities Commission's Energy Conservation Program, commonly known as the HB 264 program. Improvements included lighting and building automation upgrades as well as air filtration and boiler optimization work. A summary of the District's future debt service payments, including principal and interest payments, related to the energy conservation notes payable are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 63,023	\$ 20,740	\$ 83,763
2018	64,675	19,089	83,764
2019	66,369	17,394	83,763
2020	68,108	15,655	83,763
2021	69,892	13,871	83,763
2022-2026	377,909	40,908	418,817
2027	<u>81,625</u>	<u>2,139</u>	<u>83,764</u>
Total	<u>\$ 791,601</u>	<u>\$ 129,796</u>	<u>\$ 921,397</u>

c. Capitalized Leases

The District is obligated under leases accounted for as capital leases. The costs of the leased assets are accounted for in the Governmental Activities capital assets and the related liability in the Governmental Activities long-term obligations. The assets under the capital leases had an original cost of \$911,000 and accumulated depreciation of \$283,268.

The following is a schedule of the future long-term minimum lease payments required under the capital leases, and the present value of the minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ended June 30,</u>	<u>Total Payments</u>
2017	\$ 66,603
2018	<u>49,952</u>
Total Minimum Lease Payments	116,555
Less: Amount Representing Interest	<u>(2,365)</u>
Present Value of Minimum Lease Payments	<u>\$ 114,190</u>

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

10. Long-Term Obligations (continued)

d. Other Long-Term Liabilities

The District pays obligations related to employee compensation (compensated absences and pension contributions) from the fund benefitting from their service; specifically the general fund, food service fund, IDEA Part B grant fund, and Title I grant fund.

e. Advance Debt Refunding

The 2015 and 2016 refunding bonds were issued to provide resources to place into an irrevocable trust for the purpose of generating sufficient resources to satisfy the debt service requirement for \$11,605,000 in 2006 multi-purpose bonds at the call dates of December 1, 2015 and June 1, 2016. As a result, the refunded bonds are considered to be defeased and liability associated with these bonds has been removed from the statement of net position. The total reacquisition price exceeded the net carrying value of old debt by \$154,048. This amount is being reported as deferred charge on refunding within the deferred outflows section of the statement of net position and is being amortized over the remaining life of the new debt issue, which is the same as the debt defeased. These advance refundings were undertaken to reduce the District's net debt service over the next 10 years by \$1,070,998 and resulted in an economic gain of \$829,370.

11. Risk Management

The District is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, the District contracted with Ohio Casualty for fleet insurance coverage (deductible of \$1,000) as well as buildings and contents coverage (deductible of \$2,500). There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District participates in the Southwestern Ohio Educational Purchasing Cooperative Group Rating Program (the GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson and Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. 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.

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.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

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; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was the entire 14.00 percent.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

The District's contractually required contribution to SERS was \$398,197 for fiscal year 2016; \$76,140 of contributions is reported within intergovernmental payable at June 30, 2016.

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 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,458,845 for fiscal year 2016; \$231,992 of contributions is reported within intergovernmental payable at June 30, 2016.

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.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 5,176,971	\$ 27,308,302	\$ 32,485,273
Proportion of the net pension liability	0.090727%	0.09881039%	
Pension expense	\$ 441,479	\$ 1,147,636	\$ 1,589,115

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 72,452	\$ 1,247,102	\$ 1,319,554
Change in District's proportionate share	9,282	-	9,282
District contributions subsequent to the measurement date	<u>398,197</u>	<u>1,458,845</u>	<u>1,857,042</u>
Total	<u>\$ 479,931</u>	<u>\$ 2,705,947</u>	<u>\$ 3,185,878</u>
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 247,519	\$ 2,006,032	\$ 2,253,551
Change in District's proportionate share	<u>-</u>	<u>242,438</u>	<u>242,438</u>
Total	<u>\$ 247,519</u>	<u>\$ 2,248,470</u>	<u>\$ 2,495,989</u>

\$1,857,042 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 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:

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (84,696)	\$ (517,103)	\$ (601,799)
2018	(84,696)	(517,103)	(601,799)
2019	(85,605)	(517,103)	(602,708)
2020	89,212	549,941	639,153
	\$ (165,785)	\$ (1,001,368)	\$ (1,167,153)

Actuarial Assumptions - SERS

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

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

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

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US stocks	22.50%	5.00%
Non-US stocks	22.50%	5.50%
Fixed income	19.00%	1.50%
Private equity	10.00%	10.00%
Real estate	10.00%	5.00%
Hedge funds	<u>15.00%</u>	7.50%
Total	<u>100.00%</u>	

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

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 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 7,178,598	\$ 5,176,971	\$ 3,491,435

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

Actuarial Assumptions - STRS

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

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

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

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	31.00%	8.00%
International equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed income	18.00%	3.75%
Real estate	10.00%	6.75%
Liquidity reserves	<u>1.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit 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 percent, 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 one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

12. Defined Benefit Pension Plans (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 37,933,291	\$ 27,308,302	\$ 18,323,289

13. Post-employment Benefits

a. School Employees Retirement System

Plan Description – In addition to a cost sharing multiple employer defined benefit pension plan, SERS administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

Fund Policy – The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service was earned. By statute 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 health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The District's allocated contributions (including surcharge) to the health care fund for the years ended June 30, 2016, 2015 and 2014 were \$39,337, \$68,830, and \$49,829 respectively; which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of the health care plan are included in SERS' CAFR which can be obtained at www.ohsers.org under employers/audit resources.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

13. Post-employment Benefits (continued)

b. State Teachers Retirement System

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

Funding Policy – Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016 and 2015, STRS Ohio did not allocated any portion of the employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal year ended June 30, 2014 \$101,643; which equaled the required contributions for that year.

14. Contingencies

a. Grants

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

b. Litigation

The District is currently not party to any legal proceedings.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

15. Statutory Reserve

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

	Capital Acquisition
Set-aside cash balance as of June 30, 2015	\$ -
Current year set-aside requirements	436,848
Current year offset	(436,848)
Total	\$ -
Set-aside cash balance carried forward to FY 2017	\$ -

Although the District had current year offsets which exceeded the current year set-aside requirement, the excess amount may not be used to reduce the set-aside requirements of future fiscal years. Therefore, the excess is not presented as being carried forward to the next fiscal year.

16. Commitments - Encumbrances

The District utilizes encumbrance accounting as part of its budgetary controls. 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:

Fund Type	Year-End Encumbrances
General fund	\$ 150,632
Other governmental funds	115,670
Total	\$ 266,302

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

17. Jointly Governed Organizations

a. Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a non-profit corporation organized to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Twenty-one (21) representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA area.

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the remaining net position shall be distributed to the federal government, or to a state or local government, for a public purpose. During the fiscal year ending June 30, 2016 the District paid SOITA \$1,375 in fees and services provided. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 1205 East Fifth Street, Dayton, Ohio 45402.

b. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of over 130 public school districts and boards of developmental disabilities in 18 counties in southwestern Ohio. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2016, the District paid \$1,258 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center, Suite 208, Vandalia, Ohio 45377.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

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

17. Jointly Governed Organizations (continued)

c. Miami Valley Career Technology Center

The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. During fiscal year 2016, there were no monies paid to this organization. To obtain financial information, write to the Miami Valley Career Technology Center, Matthew Huffman, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

d. META Solutions

The District is a member of META Solutions which is an association of public entities throughout Ohio. Membership in META Solutions was due to the merger of the Metropolitan Dayton Educational Cooperative Association (MDECA) and META Solutions in January 2016. META Solutions was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts while providing an open marketplace where choice is not limited by geography.

The governing board of META Solutions consists of a twelve person Board of Directors, with each of the directors elected by a majority vote of all members within each county in META Solutions membership. During fiscal year 2016, the District paid \$40,772 to META Solutions. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

18. Related Organization

The Tipp City Public Library (the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. During fiscal year 2016, the District paid no monies to this organization. Financial information can be obtained from the Tipp City Public Library, Fiscal Officer, 11 East Main Street, Tipp City, Ohio 45371.

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REQUIRED SUPPLEMENTARY INFORMATION

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

*Schedule of the District's Proportionate Share
of the Net Pension Liability*

Last Three Measurement Years (1)

	2015	2014	2013
<u>School Employees Retirement System of Ohio:</u>			
District's Proportion of the Net Pension Liability	0.090727%	0.090485%	0.090485%
District's Proportionate Share of the Net Pension Liability	\$ 5,176,971	\$ 4,579,394	\$ 5,380,853
District's Covered-Employee Payroll	\$ 2,901,290	\$ 2,655,866	\$ 2,746,084
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	178.44%	172.43%	195.95%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
<u>State Teachers Retirement System of Ohio:</u>			
District's Proportion of the Net Pension Liability	0.09881039%	0.10005630%	0.10005630%
District's Proportionate Share of the Net Pension Liability	\$ 27,308,302	\$ 24,337,155	\$ 28,990,260
District's Covered-Employee Payroll	\$ 10,309,207	\$ 11,009,377	\$ 10,509,254
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	264.89%	221.06%	275.85%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of the District's Contributions

Last Six Fiscal Years (1)

	2016	2015	2014	2013	2012	2011
<u>School Employees Retirement System of Ohio:</u>						
Contractually Required Contribution	\$ 398,197	\$ 382,390	\$ 368,103	\$ 380,058	\$ 356,462	\$ 292,883
Contributions in Relation to the Contractually Required Contributions	<u>(398,197)</u>	<u>(382,390)</u>	<u>(368,103)</u>	<u>(380,058)</u>	<u>(356,462)</u>	<u>(292,883)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 2,844,264	\$ 2,901,290	\$ 2,655,866	\$ 2,746,084	\$ 2,650,275	\$ 2,330,015
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
<u>State Teachers Retirement System of Ohio:</u>						
Contractually Required Contribution	\$ 1,458,845	\$ 1,443,289	\$ 1,431,219	\$ 1,366,203	\$ 1,485,298	\$ 1,496,954
Contributions in Relation to the Contractually Required Contributions	<u>(1,458,845)</u>	<u>(1,443,289)</u>	<u>(1,431,219)</u>	<u>(1,366,203)</u>	<u>(1,485,298)</u>	<u>(1,496,954)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 10,420,321	\$ 10,309,207	\$ 11,009,377	\$ 10,509,254	\$ 11,425,369	\$ 11,515,031
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information prior to 2011 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

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**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	\$177,639	\$50,221
Total Child Nutrition Cluster		<u>177,639</u>	<u>50,221</u>
Total U.S. Department of Agriculture		<u>177,639</u>	<u>50,221</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	201,461	
Special Education Cluster:			
Special Education _Grants to States	84.027	<u>398,264</u>	
Total Special Education Cluster		398,264	
English Language Acquisition State Grants	84.365	185	
Improving Teacher Quality State Grants	84.367	52,780	
ARRA - State Fiscal Stabilization Fund - Race-to-the- Top Incentive Grants, Recovery Act	84.395	<u>194</u>	
Total U.S. Department of Education		<u>652,884</u>	
Total Expenditures of Federal Awards		<u>\$830,523</u>	<u>\$50,221</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Tipp City Exempted Village School District (the District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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

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

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

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, each major fund, and the aggregate remaining fund information of the Tipp City Exempted Village School District, Miami County, (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 November 1, 2017. We qualified our opinion on aggregate remaining fund information because we were unable to obtain sufficient appropriate audit evidence to support the \$413,837 of Extracurricular Activities revenue reported within aggregate remaining fund information.

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 Number 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 Finding

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

November 1, 2017



Dave Yost • Auditor of State

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

Tipp City Exempted Village School District
Miami County
90 South Tippecanoe Drive
Tipp City, Ohio 45371

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Tipp City Exempted Village School District's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Tipp City Exempted Village School District's major federal program 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 program.

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 program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Tipp City Exempted School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2016.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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

November 1, 2017

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified: Governmental Activities, General Fund, Debt Service Fund Qualified: Aggregate Remaining Fund Information
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	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 NUMBER 2016-001

Material Weakness

Cash is the asset most susceptible to theft and misappropriation. Management is responsible for the design and implementation of any internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficient and effectiveness of its operation and its compliances with applicable laws, regulations, and contracts.

**FINDING NUMBER 2016-001
(Continued)**

During the fiscal year 2015 audit, there was a material weakness comment related to the lack of tickets being used at the time of sale for entry to the District's athletic events, as well as the lack of cash reconciliations between tickets sold and cash collected. During fiscal year 2016, the District began to implement procedures and processes that included the use of tickets and properly documented and supported reconciliations, but it was noted that tickets were not always utilized at the time of sale. After the athletic events were over, the ticket takers provided the cash collected to the Athletic Director, and some reconciliations were performed between tickets issued and cash collected, but this process was not consistently completed. The Athletic Director did not follow the updated procedures and processes to assure that the amount collected was the appropriate amount to be collected. This was evidenced in that there were ticket sales tallies completed for some events but not for other events. These tallies were maintained on file for audit. We were unable to determine during the audit if the cash deposited agreed to the actual ticket sales and therefore were unable to obtain sufficient appropriate audit evidence to support the \$413,837 of extracurricular activities revenue reported in Other Governmental Funds.

The District should implement policies and procedures to verify that tickets are utilized at athletic events and that the ticket takers are performing reconciliations to verify actual tickets sold reconcile to cash collected prior to turning the cash over to the Athletic Director. Additionally, the Athletic Director should perform a reconciliation of the cash and ticket stubs received from the ticket takers. Failure to implement suggested policies and procedures increase the risk of theft of monies collected during athletic events.

Officials' Response:

See page 70 of this report for the District's corrective action plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

District Office
90 S. Tippecanoe Dr.
Tipp City, Ohio 45371
(937) 667-8444
(937) 667-6886 Fax

**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

**District
Administration**

Dr. Gretta Kumpf
Superintendent

David Stevens
Treasurer

Galen Gingerich
Asst. Superintendent

Gary Pfister
Director of Services

**Board of
Education**

Sam Spano
President

Andy Venters
Vice-President

Theresa Dunaway
Member

Carla Frame
Member

Frank Maus
Member

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Athletic event cash collections and reconciliations were not being performed.	Not Corrected	An interim Athletic Director was hired in March 2016 and a new Athletic Director was hired by the district in June 2016. Both Directors made sure that appropriate cash collection and reconciliation procedures were being performed. However, since the change in staff was not made before fiscal year 2016 started, this finding will be repeated for fiscal year 2016.

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District Office
90 S. Tippecanoe Dr.
Tipp City, Ohio 45371
(937) 667-8444
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**TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

District Administration

Dr. Gretta Kumpf
Superintendent

David Stevens
Treasurer

Galen Gingerich
Asst. Superintendent

Gary Pfister
Director of Services

Board of Education

Sam Spano
President

Andy Venters
Vice-President

Theresa Dunaway
Member

Carla Frame
Member

Frank Maus
Member

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	<p>The former Athletic Director was placed on administrative paid leave in February 2016 after fiscal irregularities were noted within the athletic department account. He resigned as of May, 30, 2016. A new Athletic Director was hired in June 2016.</p> <p>The following procedures were established for athletic events gate revenues:</p> <p>The Athletic Director prepares the startup money and documents the startup money total on the Ticket Sales Talley reconciliation form (the form). He attaches the first ticket of the ticket roll to the reconciliation form. The startup money, the tickets and the form are put into a locked cash box until tickets are to be sold. Once the ticket gate opens, the Athletic Director unlocks the box and the ticker seller counts the money and confirms the startup money recorded on the form. After ticket sales are completed, the next unsold ticket is attached to the form. Any variance between money collected and tickets sold are documented on the form. The ticket seller must sign the form and turn everything over to the Athletic Director. The Athletic Director will perform a second reconciliation and document any variances noted on the form. Once complete, the Athletic Director will sign the form.</p>	7/1/17	David Stevens, Treasurer

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Dave Yost • Auditor of State

TIPP CITY EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI 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
NOVEMBER 30, 2017**