



Dave Yost • Auditor of State



VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY  
JUNE 30, 2016

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Change in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund .....	21
Statement of Fiduciary Assets and Liabilities Fiduciary Fund .....	22
Notes to the Basic Financial Statements .....	23
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability.....	54
Schedule of District Contributions .....	55
Schedule of Expenditures of Federal Awards (Prepared by Management) .....	57
Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management) .....	58
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	59

VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY  
JUNE 30, 2016

TABLE OF CONTENTS  
(Continued)

<b>TITLE</b>	<b>PAGE</b>
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.....	61
Schedule of Findings.....	63



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

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 Vinton County Local School District, Vinton County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vinton County Local School District, Vinton County, Ohio, as of June 30, 2016, and the respective changes in financial position 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.

**Emphasis of a Matter**

As discussed in Note 21 to the financial statements, the District restated the July 1, 2015 General Fund and Other Governmental Funds fund balance to remove the interfund receivable and interfund payable within each fund type, related to its retainage accounts, respectively. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplemental 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurances.

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 16, 2017

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**Vinton County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The discussion and analysis of the Vinton County Local School District's financial performance provides an overview and analysis 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 our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

### **Financial Highlights**

- The assets and deferred outflows of resources of Vinton County Local School District exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$33,361,462. Of this amount, \$43,342,845 represents the net investment in capital assets and \$4,076,880 that is restricted for specific purposes. The remaining (\$14,058,263) represents unrestricted net position.
- In total, net position of governmental activities increased by \$97,285 which represents a less than 1 percent increase from 2015.
- General revenues accounted for \$23,284,047 or 79 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,101,885 or 21 percent of total revenues of \$29,385,932.
- The District had \$29,288,647 in expenses related to governmental activities; only \$6,101,885 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$23,385,932 and net position carried over from prior year were used to provide for the remainder of these programs.
- The District recognizes two major governmental funds: the General and Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$25,204,141 in revenues and other financing sources and \$23,878,159 in expenditures and other financing uses in fiscal year 2016.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Vinton County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

### **Reporting the District as a Whole**

#### *Government-Wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference between these reported as net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District's activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues, including federal and state grants and other shared revenues.

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

#### *Fund Financial Statements*

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's two major governmental funds are the General and Bond Retirement Funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: governmental and fiduciary funds.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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Fiduciary Fund

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

Recall that the statement of net position provides the perspective of the District as a whole, showing assets, liabilities, deferred inflows/outflows of resources, and the difference between them (net position). Table 1 provides a summary of the District's net position for 2016 compared to fiscal year 2015:

Table 1  
Net Position  
Governmental Activities

	2016	2015
<i>Assets</i>		
Current and Other Assets	\$30,043,623	\$28,837,660
Capital Assets, Net	48,295,815	50,515,973
Total Assets	78,339,438	79,353,633
Deferred Outflows of Resources	3,573,052	2,319,941
<i>Liabilities</i>		
Current and Other Liabilities	3,108,980	3,638,217
Long-Term Liabilities	37,682,378	34,961,282
Total Liabilities	40,791,358	38,599,499
Deferred Inflows of Resources	7,759,670	9,809,898
<i>Net Position</i>		
Net Investment in Capital Assets	43,342,845	45,048,423
Restricted	4,076,880	4,015,662
Unrestricted (Deficit)	(14,058,263)	(15,799,908)
Total Net Position	\$33,361,462	\$33,264,177

Current and other assets increased \$1,205,963 from fiscal year 2015 due primarily to increases in cash and cash equivalents held by the District and property taxes receivables. Capital assets, net decreased \$2,220,158 as a result of current depreciation and deletions exceeding additions for the fiscal year.

Deferred outflows of resources increased \$1,253,111 between years due to an increase in the District's proportionate share of the state-wide net pension liability.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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Current and other liabilities decreased \$529,237 between years due to decreases in accounts payable and intergovernmental payable. The change in accounts payable was the result of more timely payments for bills received near year-end. The change in intergovernmental payable was the result of a change in assessed values of newly taxable property which resulted in a reduction in foundation funding during fiscal year 2016. Long-term liabilities increased by \$2,721,096 due to an increase in net pension liability estimates which was partially offset by scheduled principal payments of debt obligations and payments on the long-term portion of the early retirement incentive payable.

Deferred inflows of resources decreased \$2,050,228 between years due to current year amortization and other activities within the pension systems' financial records that impact actuarially determined amounts.

The District's largest portion of net position is related to the net investment in capital assets. This accounts for 130 percent of net position. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. 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 capital assets themselves cannot be used to pay these liabilities. The District's next largest portion of net position is restricted net position. The restricted net position is subject to external restrictions on how they may be used and accounts for 12 percent of total net position. The remaining balance of (\$14,058,263) or (42) percent is unrestricted. This net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors. This classification of net position was significantly adversely affected by the implementation of GASB Statement No. 68 in 2015.

Table 2 shows the changes in net position for fiscal year 2016 and provides a comparison to fiscal year 2015.

Table 2  
Changes in Net Position  
Governmental Activities

	2016	2015
<i>Revenues</i>		
<i>Program Revenue</i>		
Charges for Services and Sales	\$1,234,006	\$1,205,794
Operating Grants and Contributions	4,867,879	5,103,396
Total Program Revenue	6,101,885	6,309,190
<i>General Revenue</i>		
Property and Other Taxes	5,712,408	4,479,400
Unrestricted Grants and Entitlements	17,194,246	16,996,802
Unrestricted Gifts and Contributions	0	6,306
Investment Earnings	67,598	41,285
Insurance Recoveries	0	15,314
Miscellaneous	309,795	91,749
Total General Revenue	23,284,047	21,630,856
Total Revenues	29,385,932	27,940,046

Property taxes increased \$1,233,008 due to increased collections, which was the result of an increase in taxpayer base due to the 2015 expiration of tax abatement agreements. Unrestricted grants increased \$197,444 due to an increase in foundation revenues. Miscellaneous revenue increased due to the recognition of a trade-in on copier leases.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Table 2  
Changes in Net Position  
Governmental Activities  
(Continued)

	2016	2015
<i>Expenses</i>		
<i>Program Expenses</i>		
<i>Instruction</i>		
Regular	\$12,364,780	\$12,203,106
Special	2,891,499	2,761,970
Vocational	278,177	256,193
Other	1,688,080	1,710,585
<i>Support Services</i>		
Pupils	1,413,155	1,302,296
Instructional Staff	914,194	889,541
Board of Education	414,989	379,613
Administration	1,990,043	1,760,010
Fiscal	464,054	439,891
Operation and Maintenance of Plant	2,304,075	2,340,450
Pupil Transportation	2,251,408	2,298,939
Central	545,563	514,119
Operation of Non-Instructional Services	1,156,700	1,208,332
Extracurricular Activities	392,961	392,939
Interest and Fiscal Charges	218,969	224,520
Total Expenses	<u>29,288,647</u>	<u>28,682,504</u>
<i>Change in Net Position</i>	97,285	(742,458)
<i>Net Position Beginning of Year</i>	<u>33,264,177</u>	<u>34,006,635</u>
<i>Net Position End of Year</i>	<u>\$33,361,462</u>	<u>\$33,264,177</u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Other Instruction, Pupils Support Services, Instructional Staff, Administration, Operation and Maintenance of Plant, Pupil Transportation and Non-Instructional Services. These programs account for 92 percent of the total governmental activities. Regular Instruction accounts for 42 percent of the total and represents costs associated with providing general educational services. Special Instruction accounts for 10 percent of the total and represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Other Instruction accounts for 5 percent of the total and represents costs associated with open enrollment and community school tuition. Pupils, which represent 5 percent of the total cost, represent costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Instructional Staff accounts for 3 percent of the total and represents costs associated with assisting instructional staff with providing learning experiences for students. Administration accounts for 7 percent of the total and represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant accounts for 8 percent of the total and represents costs associated with operating and maintaining the District's facilities. Pupil Transportation accounts for 8 percent of the total and represents costs associated with providing transportation services for students between home and school and to school activities. Non-Instructional Services accounts for 4 percent of the total and primarily represents food service operations.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The majority of the funding for the most significant programs indicated above is from grants and entitlements not restricted for specific programs, property taxes, and operating grants and contributions. Operating grants and contributions, property taxes, and grants and entitlements account for 95 percent of total revenues.

As noted previously, the net position for the governmental activities increased \$97,285 or less than 1 percent. Total revenues increased \$1,445,886 or 5 percent from last year, primarily the result of increase in unrestricted grants and property taxes. Expenses increased \$606,143 or 2 percent from last year.

### **Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 19 percent and intergovernmental revenue made up 75 percent of the total revenue for the governmental activities in fiscal year 2016.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home was reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District voters approved a bond retirement tax levy for 3.82 mills in November 1997 as part of a \$5,010,000 bond issue for the construction of a new high school. Of the 3.82 mills, 3.32 mills are used for the retirement of the bonds and the remaining .5 mills are used for repairs and maintenance of the new facilities. The District voters also approved a bond retirement tax levy for 1.48 mills as part of the construction of the new elementaries in addition to high school and new middle school. In fiscal year 2016, these levies generated \$682,939 in tax revenue for debt service payments.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2016, the District received \$17,826,697 through the State's foundation program, which represents 61 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current level of service.

Instruction accounts for 59 percent of governmental activities program expenses. Support services expenses make up 35 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services for fiscal year 2016 as compared to 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Table 3  
Net Cost of Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<i>Program Expenses</i>				
Instruction	\$17,222,536	\$13,896,120	\$16,931,854	\$13,306,467
Support Services	10,297,481	8,843,055	9,924,859	8,531,942
Operation of Non- Instructional Services	1,156,700	(12,191)	1,208,332	60,112
Extracurricular Activities	392,961	240,809	392,939	250,273
Debt Service	218,969	218,969	224,520	224,520
<b>Total</b>	<b>\$29,288,647</b>	<b>\$23,186,762</b>	<b>\$28,682,504</b>	<b>\$22,373,314</b>

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$29,746,613 and expenditures and other financing uses of \$28,259,326.

Total governmental funds experienced an increase of \$1,487,287 in fund balance. The increase in fund balance for the year was most significant in the General Fund, which posted a \$1,325,982 increase, the result of revenues in excess of expenditures. The Bond Retirement Fund had an increase in fund balance of \$111,573 due to revenues exceeding expenditures during the current year.

The District should remain stable in fiscal years 2017 through 2018. However, projections beyond fiscal year 2018 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

During the course of fiscal year 2016, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cash flow plan for the General Fund. Actual cash flow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis estimate of revenue was \$23,883,100 which was not amended from the original budget. The final budget basis estimate of expenditures was \$23,968,420 representing an increase of \$127,788 from the original budget. Ending unobligated fund balance was \$17,863,821, which was \$750,357 above the final estimated amount.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
Unaudited

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2016, the District had \$79 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$31 million. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015.

Table 4  
Capital Assets and Accumulated Depreciation at Year End  
Governmental Activities

	2016	2015
<i>Nondepreciable Capital Assets</i>		
Land	\$1,376,059	\$1,376,059
<i>Depreciable Capital Assets</i>		
Land Improvements	9,881,267	9,864,455
Buildings and Improvements	59,544,484	59,532,138
Furniture, Fixtures and Equipment	5,132,831	5,221,415
Vehicles	3,053,382	3,597,733
Total Capital Assets	78,988,023	79,591,800
<i>Less Accumulated Depreciation</i>		
Land Improvements	(4,961,575)	(4,476,213)
Buildings and Improvements	(19,134,777)	(17,358,305)
Furniture, Fixtures and Equipment	(4,206,219)	(4,356,834)
Vehicles	(2,389,637)	(2,884,475)
Total Accumulated Depreciation	(30,692,208)	(29,075,827)
Capital Assets, Net	\$48,295,815	\$50,515,973

More detailed information pertaining to the District's capital asset activity can be found in note 9 of the notes to the basic financial statements.

**Debt Administration**

At June 30, 2016, the District had bus notes, refunding bonds, and capital leases outstanding with \$531,695 due within one year. Table 5 summarizes bonds, notes, and capital leases outstanding for fiscal year 2016 compared to fiscal year 2015.

Table 5  
Outstanding Debt, Governmental Activities at Year End

	2016	2015
Bus Note	\$184,000	\$276,000
Refunding Bonds	3,910,000	4,385,000
Capital Leases	299,004	213,483
Total	\$4,393,004	\$4,874,483

More detailed information pertaining to the District's long-term debt activity can be found in notes 13 and 14 of the notes to the basic financial statements.



**Vinton County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**Current Issues**

Vinton County Local School District is financially stable, and has been over the past several years although the financial future of the District is not without its challenges. The District relies on revenue from local property taxes as well as revenue from unrestricted state funding sources (approximately 78 percent). State foundation revenue is based on a district's student enrollment and property tax wealth. In 2016, the District saw a decrease in student enrollment and future estimates indicate a declining enrollment which has resulted on the District being put on the guarantee. Also, the District does not anticipate any sustainable growth in revenue from property taxes due to slow economic growth, with the exception of an increase in tax revenue resulting from the expiring of a tax abatement in 2014. As a result, tax revenue increased and state funding decreased in 2016.

The Vinton County Local Board of Education is committed to being financially responsible and with increased expenditures and declining revenues the District will need to continue to implement cost saving and cost containing measures in an attempt to have a balanced budget.

It is important to note that in March 1997, the State of Ohio was found by the Supreme Court to be operating an unconstitutional funding system one that was neither adequate nor equitable. As long as the State avoids a complete overhaul of the funding system that the Supreme Court has ordered in its ruling, all schools in Ohio will be faced with the same problem in the future, to either increase its revenue by passing levies or decrease expenses by making budget cuts.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Erica Zinn, Treasurer of Vinton County Local School Board of Education, 307 West High Street, McArthur, Ohio 45651.

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**Vinton County Local School District**  
*Statement of Net Position*  
*As of June 30, 2016*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$21,762,632
Cash and Cash Equivalents in Segregated Accounts	1,362
Inventory Held for Resale	8,514
Accrued Interest Receivable	6,575
Intergovernmental Receivable	528,931
Prepaid Items	48,487
Property Taxes Receivable	7,685,144
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	1,978
Nondepreciable Capital Assets	1,376,059
Depreciable Capital Assets, net	46,919,756
<i>Total Assets</i>	78,339,438
<b>Deferred Outflows of Resources:</b>	
Deferred Charges on Refunding	232,195
Pension	3,340,857
<i>Total Deferred Outflows of Resources</i>	3,573,052
<b>Liabilities:</b>	
Accounts Payable	80,488
Accrued Wages and Benefits	2,674,911
Intergovernmental Payable	330,977
Accrued Interest Payable	11,256
Matured Compensated Absences Payable	1,348
Early Retirement Incentive Payable	10,000
Long-Term Liabilities:	
Due Within One Year	623,816
Due in More Than One Year	37,058,562
<i>Total Liabilities</i>	40,791,358
<b>Deferred Inflows of Resources:</b>	
Property Taxes not Levied to Finance Current Year Operations	4,772,262
Pension	2,987,408
<i>Total Deferred Inflows of Resources</i>	7,759,670
<b>Net Position:</b>	
Net Investment in Capital Assets	43,342,845
Restricted for Debt Service	2,567,249
Restricted for Capital Outlay	10,958
Restricted for Other Purposes	1,430,777
Restricted for Set Asides	67,896
Unrestricted (Deficit)	(14,058,263)
<i>Total Net Position</i>	\$33,361,462

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

**Vinton County Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$12,364,780	\$210,406	\$431,396	(\$11,722,978)
Special	2,891,499	45,800	2,307,148	(538,551)
Vocational	278,177	5,989	46,100	(226,088)
Other	1,688,080	31,067	248,510	(1,408,503)
Support Services:				
Pupils	1,413,155	23,786	313,909	(1,075,460)
Instructional Staff	914,194	12,287	337,550	(564,357)
Board of Education	414,989	7,610	0	(407,379)
Administration	1,990,043	41,259	67,245	(1,881,539)
Fiscal	464,054	10,021	0	(454,033)
Operation and Maintenance of Plant	2,304,075	40,929	6,162	(2,256,984)
Pupil Transportation	2,251,408	46,659	33,629	(2,171,120)
Central	545,563	513,380	0	(32,183)
Operation of Non-Instructional Services	1,156,700	105,557	1,063,334	12,191
Extracurricular Activities	392,961	139,256	12,896	(240,809)
Debt Service:				
Interest and Fiscal Charges	218,969	0	0	(218,969)
<i>Total Governmental Activities</i>	<u>\$29,288,647</u>	<u>\$1,234,006</u>	<u>\$4,867,879</u>	(23,186,762)
<b>General Revenues:</b>				
Property Taxes Levied for:				
General Purposes				4,927,102
Capital Maintenance				102,367
Debt Service				682,939
Grants and Entitlements not				
Restricted for Specific Programs				17,194,246
Investment Earnings				67,598
Miscellaneous				309,795
<i>Total General Revenues</i>				<u>23,284,047</u>
<i>Change in Net Position</i>				97,285
<i>Net Position Beginning of Year</i>				<u>33,264,177</u>
<i>Net Position End of Year</i>				<u>\$33,361,462</u>

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

**Vinton County Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*As of June 30, 2016*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$18,207,347	\$2,231,131	\$1,256,258	\$21,694,736
Cash and Cash Equivalents in Segregated Accounts	0	0	1,362	1,362
Inventory Held for Resale	0	0	8,514	8,514
Accrued Interest Receivable	6,575	0	0	6,575
Interfund Receivable	100,663	0	0	100,663
Intergovernmental Receivable	0	0	528,931	528,931
Prepaid Items	48,487	0	0	48,487
Property Taxes Receivable	6,667,488	886,823	130,833	7,685,144
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	69,874	0	0	69,874
<i>Total Assets</i>	<u>\$25,100,434</u>	<u>\$3,117,954</u>	<u>\$1,925,898</u>	<u>\$30,144,286</u>
<b>Liabilities:</b>				
Accounts Payable	\$57,243	\$0	\$23,245	\$80,488
Accrued Wages and Benefits	2,382,329	0	292,582	2,674,911
Interfund Payable	0	0	100,663	100,663
Intergovernmental Payable	309,050	0	21,927	330,977
Matured Compensated Absences Payable	1,348	0	0	1,348
Early Retirement Incentive Payable	10,000	0	0	10,000
<i>Total Liabilities</i>	2,759,970	0	438,417	3,198,387
<b>Deferred Inflows of Resources:</b>				
Property Taxes not Levied to Finance Current Year Operations	4,139,906	550,705	81,651	4,772,262
Unavailable Revenue	2,055,531	273,345	235,198	2,564,074
<i>Total Deferred Inflows of Resources</i>	6,195,437	824,050	316,849	7,336,336
<b>Fund Balances:</b>				
Nonspendable	49,362	0	0	49,362
Restricted	67,896	2,293,904	1,205,662	3,567,462
Committed	216,480	0	0	216,480
Assigned	915,136	0	0	915,136
Unassigned (Deficit)	14,896,153	0	(35,030)	14,861,123
<i>Total Fund Balances</i>	<u>16,145,027</u>	<u>2,293,904</u>	<u>1,170,632</u>	<u>19,609,563</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$25,100,434</u>	<u>\$3,117,954</u>	<u>\$1,925,898</u>	<u>\$30,144,286</u>

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

**Vinton County Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 As of June 30, 2016*

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**Total Governmental Fund Balances** \$19,609,563

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. 48,295,815

Some of the District's receivables will be collected after fiscal year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. Those receivables consist of:

Intergovernmental	195,201	
Taxes	2,368,873	
Total	2,564,074	2,564,074

Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. 232,195

The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	3,340,857	
Deferred Inflows-Pension	(2,987,408)	
Net Pension Liability	(31,732,452)	
Total	(31,379,003)	(31,379,003)

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

Bus Notes	(184,000)	
Refunding Bonds	(4,174,821)	
Premium on Refunding Bonds	(559,966)	
Accrued Interest on Bonds	(11,256)	
Compensated Absences	(732,135)	
Capital Lease Obligations	(299,004)	
Total	(5,961,182)	(5,961,182)

**Net Position of Governmental Activities** \$33,361,462

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

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

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$4,806,601	\$643,107	\$103,669	\$5,553,377
Intergovernmental	18,663,590	66,521	3,422,522	22,152,633
Interest	66,839	0	759	67,598
Tuition and Fees	479,033	0	0	479,033
Rent	775	0	0	775
Extracurricular Activities	41,316	0	94,302	135,618
Gifts and Donations	4,986	0	7,910	12,896
Customer Sales and Services	512,791	0	105,789	618,580
Miscellaneous	309,247	0	548	309,795
<i>Total Revenues</i>	24,885,178	709,628	3,735,499	29,330,305
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	9,956,257	0	436,745	10,393,002
Special	2,172,354	0	768,205	2,940,559
Vocational	282,507	0	0	282,507
Other	1,439,425	0	249,416	1,688,841
Support Services:				
Pupils	1,114,769	0	317,001	1,431,770
Instructional Staff	562,557	0	344,023	906,580
Board of Education	352,767	30,847	4,901	388,515
Administration	1,947,224	0	71,872	2,019,096
Fiscal	471,117	0	0	471,117
Operation and Maintenance of Plant	1,896,668	0	251,492	2,148,160
Pupil Transportation	2,181,889	0	20,849	2,202,738
Central	543,418	0	0	543,418
Operation of Non-Instructional Services	39,360	0	1,106,006	1,145,366
Extracurricular Activities	219,817	0	90,941	310,758
Capital Outlay	349,698	0	23,786	373,484
Debt Service:				
Principal	232,912	567,000	0	799,912
Interest	18,075	97,553	0	115,628
<i>Total Expenditures</i>	23,780,814	695,400	3,685,237	28,161,451
<i>Excess of Revenues Over Expenditures</i>	1,104,364	14,228	50,262	1,168,854
<b>Other Financing Sources (Uses):</b>				
Transfers In	530	97,345	0	97,875
Inception of Capital Lease	318,433	0	0	318,433
Transfers Out	(97,345)	0	(530)	(97,875)
<i>Total Other Financing Sources (Uses)</i>	221,618	97,345	(530)	318,433
<i>Net Change in Fund Balances</i>	1,325,982	111,573	49,732	1,487,287
<i>Fund Balance at Beginning of Year-Restated</i>	14,819,045	2,182,331	1,120,900	18,122,276
<i>Fund Balance at End of Year</i>	<u>\$16,145,027</u>	<u>\$2,293,904</u>	<u>\$1,170,632</u>	<u>\$19,609,563</u>

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

**Vinton County Local 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*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$1,487,287
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.</p>		
Capital Asset Additions	373,484	
Current Year Depreciation	<u>(2,493,841)</u>	
Total		(2,120,357)
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.</p>		
		(99,801)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Intergovernmental	(103,404)	
Taxes	<u>159,031</u>	
Total		55,627
<p>Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.</p>		
		1,964,256
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.</p>		
		(1,475,202)
<p>Repayments of bond and note principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.</p>		
		567,000
<p>The inception of capital lease reported in the statement of revenues, expenditures and changes in fund balances that are reported as other financial sources are not reported as revenues in the statement of activities.</p>		
		(318,433)
<p>Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.</p>		
		232,912
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due.</p>		
		(7,248)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated Absences	(122,663)	
Early Retirement Incentive	30,000	
Amortization of Premium on Bonds	33,101	
Amortization of Deferred Charge on Refunding	(13,659)	
Accretion on Refunding Bonds	<u>(115,535)</u>	
Total		<u>(188,756)</u>
<b>Net Change in Net Position of Governmental Activities</b>		<u><u>\$97,285</u></u>

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



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

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property Taxes	\$4,522,600	\$4,522,600	\$4,848,210	\$325,610
Intergovernmental	18,770,800	18,770,800	18,494,309	(276,491)
Interest	20,000	20,000	66,839	46,839
Tuition and Fees	417,200	417,200	478,833	61,633
Rent	0	0	775	775
Gifts and Donations	3,500	3,500	0	(3,500)
Miscellaneous	149,000	149,000	175,492	26,492
<i>Total Revenues</i>	<u>23,883,100</u>	<u>23,883,100</u>	<u>24,064,458</u>	<u>181,358</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	10,493,360	10,507,264	10,228,116	279,148
Special	2,191,371	2,191,371	2,176,663	14,708
Vocational	277,280	303,455	289,088	14,367
Other	1,489,800	1,489,800	1,453,266	36,534
Support Services:				
Pupils	1,072,442	1,075,442	1,102,591	(27,149)
Instructional Staff	528,261	570,470	583,224	(12,754)
Board of Education	362,823	362,823	370,682	(7,859)
Administration	1,906,715	1,929,215	1,950,189	(20,974)
Fiscal	462,995	462,995	475,664	(12,669)
Operation and Maintenance of Plant	2,218,155	2,238,155	2,130,055	108,100
Pupil Transportation	2,449,232	2,449,232	2,300,958	148,274
Central	36,960	36,960	28,666	8,294
Operation of Non-Instructional Services	49,200	49,200	39,360	9,840
Extracurricular Activities	202,038	202,038	168,672	33,366
Capital Outlay	0	0	4,882	(4,882)
<i>Total Expenditures</i>	<u>23,740,632</u>	<u>23,868,420</u>	<u>23,302,076</u>	<u>566,344</u>
<i>Excess of Revenues Over Expenditures</i>	142,468	14,680	762,382	747,702
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	172,540	172,540
Transfers Out	(100,000)	(100,000)	(269,885)	(169,885)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(97,345)</u>	<u>2,655</u>
<i>Net Change in Fund Balances</i>	42,468	(85,320)	665,037	750,357
<i>Fund Balance at Beginning of Year-Restated</i>	17,032,539	17,032,539	17,032,539	0
<i>Prior Year Encumbrances Appropriated</i>	<u>166,245</u>	<u>166,245</u>	<u>166,245</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$17,241,252</u>	<u>\$17,113,464</u>	<u>\$17,863,821</u>	<u>\$750,357</u>

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

**Vinton County Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*As of June 30, 2016*

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	<u>Agency Fund</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$78,384</u>
<i>Total Assets</i>	<u><u>\$78,384</u></u>
<b>Liabilities:</b>	
Due to Students	<u>\$78,384</u>
<i>Total Liabilities</i>	<u><u>\$78,384</u></u>

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

**Note 1 – Description of the District and Reporting Entity**

***Description of the District***

Vinton County Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's five (5) instructional support facilities staffed by 89 non-certificated, 155 teaching personnel and 16 administrative employees providing education to approximately 2,121 students.

***Reporting Entity***

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

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Parent Teacher Organizations
- Booster Clubs

The District is associated with five jointly governed organizations. These organizations are the South Central Ohio Computer Association, Meta Solutions, the Gallia-Vinton Educational Service Center, the Gallia-Jackson-Vinton Joint Vocational School District, and the State Support Team Region 16. These organizations are presented in note 19 to the basic financial statements.

**Note 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 generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 accounting policies are described below.

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

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***Basis of Presentation***

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

*Government-Wide Financial Statements*

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

*Fund Financial Statements*

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

Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***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 fall within two categories: governmental and fiduciary.

*Governmental Funds*

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus 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, liabilities, and deferred inflows/outflows of resources is reported as fund balance.

The following are the District's major governmental funds:

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

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

*Bond Retirement Fund* - This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

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

*Fiduciary Funds*

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

***Measurement Focus***

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

***Basis of Accounting***

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

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

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*Revenues - Exchange and Nonexchange Transactions*

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

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

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year-end: property taxes available for advance, grants and interest.

*Deferred Inflows/Outflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position and amounts for pensions. 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 life of the refunded or refunding debt. Information on pensions is presented in note 10.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants, and pensions. Property taxes for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2016, are recorded as deferred inflows of resources in the governmental funds and as revenue on the statement of activities. Information on pensions is presented in note 10.

*Expenses/Expenditures*

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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

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***Cash and Cash Equivalents***

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

During the fiscal year 2016, the District's investments were limited to certificates of deposit and STAROhio. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investments could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the District during fiscal year 2016 amounted to \$66,839 credited to the General Fund and \$759 in Other Governmental Funds.

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

***Inventory***

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund type when consumed or used.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required to be restricted for capital acquisitions and committed for school bus purchases. See note 17 for additional information on set-asides.

***Capital Assets***

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 - 30 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	15 years

***Interfund Balances***

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net position.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures 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 employees will be paid.

***Accrued Liabilities and Long-Term Liabilities***

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination of benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, notes, and capital leases are recognized as a liability on the fund financial statements when due.



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

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***Net Position***

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's restricted net position, none is restricted by enabling legislation.

***Fund Balance***

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

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

*Restricted* – amounts that can be spent only for specific purposes because of either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

*Committed* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education, the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned* – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

***Interfund Transactions***

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2016, the District reported no extraordinary or special items.

***Estimates***

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

***Budgetary Process***

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

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

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

***Bond Premium***

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds.

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

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

***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

***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.

**Note 3 – Accountability**

At June 30, 2016, the Title VI-R Fund had a deficit balance of \$35,030. The deficit in this fund is the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. This deficit does not exist on the cash basis.

**Note 4 – Budgetary Basis of Accounting**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budget basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual is presented for the General Fund on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental funds (GAAP basis).
4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. Certain agency funds are also considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Public School Support, Employee Benefits Special Revenue Funds and the Unclaimed Monies Agency Fund.

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

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

Net Change in Fund Balance	
GAAP Basis	\$1,325,982
Revenue Accruals	(407,320)
Expenditure Accruals	51,558
Encumbrances	(312,962)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	7,779
Budget Basis	\$665,037

**Note 5 – Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

- (1) United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

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- (6) The State Treasurer's investment pool (STAROhio);
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

*Deposits* – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at federal reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as 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. The District's policy does not address this risk beyond the requirements of the Ohio Revised Code.

At June 30, 2016, the carrying amount of all District deposits was \$12,570,570. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2016, \$3,650,332 of the District's bank balance of \$12,704,096 was covered by Federal Deposit Insurance. The remaining \$9,053,764 was collateralized with securities held by the District or its agent in the District's name.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$9,272,424	Less Than 1 Year

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the District to meet all operating requirements.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its investments to STAROhio as described in Ohio Revised Code Section 135.143A(2). Investments in STAROhio were rated AAAM by Standard & Poor's.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy allows investments in eligible securities as described in the Ohio Revised Code. The District has invested 100 percent of its investments in STAROhio.

*Custodial Credit Risk* – 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 investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All of the District's investments are either insured and registered in the name of the District or at least registered in the name of the District.

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

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**Note 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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The District receives property taxes from Vinton, Gallia, Jackson and Hocking Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2016 are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2016. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$161,375,240	60.09%	\$173,174,340	60.16%
Public Utility Personal	107,160,780	39.91%	114,701,400	39.84%
Total Assessed Value	<u>\$268,536,020</u>	<u>100.00%</u>	<u>\$287,875,740</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$21.68		 \$21.68	

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

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**Note 7 – Receivables**

Receivables at June 30, 2016 consisted of taxes, interfund, interest and intergovernmental grants. 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. A summary of the principal items of intergovernmental receivables follows:

<i>Nonmajor Funds:</i>	
Title I	\$300,005
Title II-A	394
Title VI-B	191,758
Early Childhood	28,140
Parent Mentor	5,171
21 <sup>st</sup> Century	3,463
Total	\$528,931

**Note 8 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, the District contracted with Reed and Baur Insurance Agency for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents - replacement cost (\$2,500 deductible)	\$89,118,370
Commercial Computer Coverage (\$500 deductible)	774,993
Musical Instruments (\$500 deductible)	50,000
Automobile Liability:	
Per Person	1,000,000
Per Accident	1,000,000
Uninsured Motorists:	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Per Occurrence	4,000,000
Aggregate Limit	4,000,000
Public Official Bonds:	
Treasurer	100,000
Superintendent	20,000
Board President	50,000

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

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

**Note 9 – Capital Assets**

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

Asset Category	Balance at 7/1/15	Additions	Deletions	Balance at 6/30/16
<i>Nondepreciable Capital Assets:</i>				
Land	\$1,376,059	\$0	\$0	\$1,376,059
<i>Depreciable Capital Assets:</i>				
Land Improvements	9,864,455	16,812	0	9,881,267
Buildings and Improvements	59,532,138	12,346	0	59,544,484
Furniture, Fixtures and Equipment	5,221,415	331,749	(420,333)	5,132,831
Vehicles	3,597,733	12,577	(556,928)	3,053,382
Total Depreciable Capital Assets	78,215,741	373,484	(977,261)	77,611,964
<i>Accumulated Depreciation:</i>				
Land Improvements	(4,476,213)	(485,362)	0	(4,961,575)
Buildings and Improvements	(17,358,305)	(1,776,472)	0	(19,134,777)
Furniture, Fixtures and Equipment	(4,356,834)	(169,917)	320,532	(4,206,219)
Vehicles	(2,884,475)	(62,090)	556,928	(2,389,637)
Total Accumulated Depreciation	(29,075,827)	(2,493,841)	877,460	(30,692,208)
Depreciable Capital Assets, Net	49,139,914	(2,120,357)	(99,801)	46,919,756
Total Net Capital Assets	\$50,515,973	(\$2,120,357)	(\$99,801)	\$48,295,815

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$2,176,771
Special	2,357
Vocational	838
<i>Support Services:</i>	
Pupils	4,838
Instructional Staff	1,196
Board of Education	26,835
Administration	3,443
Operation and Maintenance	93,771
Pupil Transportation	65,790
Central	2,577
Operation of Non-Instructional Services	33,169
Extracurricular Activities	82,256
Total	<u>\$2,493,841</u>



**Note 10 – Defined Benefit Pension Plans**

Net Pension Liability

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

The net pension liability represents the 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.

The 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.

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$600,144 for fiscal year 2016. Of this amount, \$0 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014 and July 1, 2015, and will increase one percent on July 1, 2016 when it reaches 14 percent. 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 \$1,364,112 for fiscal year 2016. Of this amount \$228,772 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$6,548,688	\$25,183,764	\$31,732,452
Proportion of the Net Pension			
Liability	0.114767%	0.0911236%	
Pension Expense	\$453,055	\$1,022,147	\$1,475,202

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

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

	SERS	STRS	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$104,543	\$1,154,375	\$1,258,918
Changes in proportion and differences between District contributions and proportionate share of contributions	117,683	0	117,683
District contributions subsequent to the measurement date	600,144	1,364,112	1,964,256
<b>Total Deferred Outflows of Resources</b>	<b>\$822,370</b>	<b>\$2,518,487</b>	<b>\$3,340,857</b>
<i>Deferred Inflows of Resources</i>			
Net difference between projected and actual earnings on pension plan investments	\$199,713	\$1,932,493	\$2,132,206
Changes in proportion and differences between District contributions and proportionate share of contributions	0	855,202	855,202
<b>Total Deferred Inflows of Resources</b>	<b>\$199,713</b>	<b>\$2,787,695</b>	<b>\$2,987,408</b>

\$1,964,256 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$35,748)	(\$664,311)	(\$700,059)
2018	(35,748)	(664,311)	(700,059)
2019	(35,748)	(664,309)	(700,057)
2020	129,757	359,611	489,368
<b>Total</b>	<b>\$22,513</b>	<b>(\$1,633,320)</b>	<b>(\$1,610,807)</b>

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.

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

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

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

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

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

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

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

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

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

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

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

*Sensitivity of the 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	\$9,080,677	\$6,548,688	\$4,416,545

*Changes Between Measurement Date and Report Date*

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

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

*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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$34,982,161	\$25,183,764	\$16,897,775

**Note 11 – Postemployment Benefits**

School Employees Retirement System

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$58,238.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$94,456, and \$62,557, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

#### State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$96,795, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

#### **Note 12 – Employee Benefits**

##### *Compensated Absences*

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Assistant Superintendent, Assistant Treasurers, Account Clerk, Transportation Coordinator, and Maintenance Supervisor. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for 25 percent of the employee's accumulated sick leave up to a maximum of 51 days for certified employees, 65 days for non-certificated employees, and 51 or 65 days for administrative employees depending on specifications within contracts.



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

*Retirement Incentive*

The District Board of Education approved a Retirement Incentive Program. Participation is open to members of the Vinton Local Teachers Association the year in which the member first attains thirty years of service credit with STRS. A teacher who retires with thirty (30) years but less than thirty-one (31) years of service according to STRS rules, is eligible for a severance bonus of \$40,000, payable in four installments of \$10,000, with the first installment to be paid by the time of the second payroll in January following the retirement date, and each subsequent installment by the time of the second payroll in January of the following three years. To be eligible, the teacher must file a letter with the Treasurer stating (1) retirement effective date, and (2) amount of severance bonus applied for by January 1 for a teacher retiring at the end of a school year, and if a teacher is retiring mid-year the letter must be filed 6 months before the retirement date. The retirement incentive program is a part of the negotiated union contract.

In May 2015, the District approved a modification to this plan where beginning with fiscal year 2016, all retirees eligible for the early retirement incentive bonus must defer the \$40,000 based upon the memorandum of understanding. The District will pay this amount as a one-time payment into a 403(b) plan for the retiring teacher in the January following the retirement date. The District may not make this payment directly to the retiring/retired teacher.

*Health, Prescription, Dental and Life Insurance*

The District provides health and prescription benefits to its employees through a fully funded policy with United Health Care. Dental insurance benefits are provided through a policy with SEOVEC Dental and life insurance is with MEC.

**Note 13 – Long-Term Obligations**

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

	Principal Outstanding at 7/1/15	Additions	Deletions	Principal Outstanding at 6/30/16	Amount Due in One Year
2013 Refunding Bonds:					
Series A Bonds Serial	\$430,000	\$0	(\$135,000)	\$295,000	\$45,000
Series A Bonds Term	2,150,000	0	0	2,150,000	0
Series A Bonds Capital Appreciation	125,000	0	0	125,000	0
Series A Bonds Capital Appreciation Accretion	108,924	84,097	0	193,021	0
Series A Premium	368,568	0	(20,571)	347,997	0
Series B Bonds Serial	1,635,000	0	(340,000)	1,295,000	340,000
Series B Bonds Capital Appreciation	45,000	0	0	45,000	0
Series B Bonds Capital Appreciation Accretion	40,362	31,438	0	71,800	0
Series B Premium	224,499	0	(12,530)	211,969	0
Bus Note	276,000	0	(92,000)	184,000	92,000
Total Bonds and Note	5,403,353	115,535	(600,101)	4,918,787	477,000
Capital Leases	213,483	318,433	(232,912)	299,004	54,695
Retirement Incentive	30,000	0	(30,000)	0	0
Compensated Absences	609,472	807,390	(684,727)	732,135	92,121
Net Pension Liability	28,704,974	3,027,478	0	31,732,452	0
Total Long-Term Obligations	\$34,961,282	\$4,268,836	(\$1,547,740)	\$37,682,378	\$623,816

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

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*2013 Refunding Bonds* - In May 2013, the District issued \$2,840,000 of voted general obligation bonds (Series A) and \$1,805,000 of voted general obligation bonds (Series B) for the advance refunding of \$4,645,000 of the 2005 series bonds. The \$662,027 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 20 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in a difference between the net carrying value of the refunded debt and the reacquisition price of \$287,550. The difference is reported on the statement of net position as a deferred outflow of resources and is being amortized to interest expense over the life of the new bonds using the straight line method. The amortization for fiscal year 2016 was \$13,659. The District incurred an economic gain (difference between the present values of the old and new debt service payments) of \$134,905 and a reduction of \$200,462 in future debt service payments as a result of the refunding. \$565,000 of the Series A bonds and \$1,760,000 of the Series B bonds were issued as serial bonds with interest rates of 2.0% and ranging from 0.6% to 2.15%, respectively. \$2,150,000 of the Series A bonds were issued as term bonds with interest rates ranging from 2.0% to 3.2%. \$125,000 of the Series A bonds and \$45,000 of the Series B bonds were issued as capital appreciation bonds. For fiscal year 2016, \$84,097 and \$31,438 was accreted for the Series A and Series B bonds, respectively. The refunding bonds will be repaid by the Bond Retirement Fund. Capital appreciation bonds will mature on December 1, 2016 through 2019. At the date of refunding \$5,307,027 (including underwriter fees and other issuance costs) was deposited into an irrevocable trust to provide for future debt service requirements on the 2005 refunding bonds. As of June 30, 2016, the amount of the refunded bonds still outstanding and the balance of the irrevocable trust account was \$0.

The term bonds maturing on December 1, 2022 are 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 redemption, on December 1, 2021, in the principal amount of \$155,000. The remaining principal amount of these bonds (\$155,000) will be repaid at stated maturity on December 1, 2022.

The term bonds maturing on December 1, 2024 are 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 redemption, on December 1, 2023, in the principal amount of \$160,000. The remaining principal amount of these bonds (\$165,000) will be repaid at stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2026 are 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 redemption, on December 1, 2025, in the principal amount of \$170,000. The remaining principal amount of these bonds (\$175,000) will be repaid at stated maturity on December 1, 2026.

The term bonds maturing on December 1, 2028 are 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 redemption, on December 1, 2027, in the principal amount of \$180,000. The remaining principal amount of these bonds (\$185,000) will be repaid at stated maturity on December 1, 2028.

The term bonds maturing on December 1, 2030 are 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 redemption, on December 1, 2029, in the principal amount of \$190,000. The remaining principal amount of these bonds (\$195,000) will be repaid at stated maturity on December 1, 2030.

The term bonds maturing on December 1, 2032 are 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 redemption, on December 1, 2031, in the principal amount of \$205,000. The remaining principal amount of these bonds (\$215,000) will be repaid at stated maturity on December 1, 2032.

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

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The Series A bonds maturing on or after December 1, 2022 are subject to redemption at the option of the District, either in whole or in part, in such order of maturity as the District shall determine, on any date on or after December 1, 2021, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The serial bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity.

*Bus Note* – The District issued a general obligation note on September 9, 2013 for \$460,000 for the purpose of purchasing buses. This note carries a 2.1 percent interest rate. Semi-annual principal payments of \$46,000 and interest are required beginning December 1, 2013 until the maturity date of June 1, 2018. This note will be repaid from the Bond Retirement Fund.

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

Fiscal Year Ending June 30,	2013	2013	Interest	Total
	Refunding Series A Bonds	Refunding Series B Bonds		
2017	\$45,000	\$340,000	\$182,712	\$567,712
2018	35,000	345,000	188,856	568,856
2019	45,000	260,000	264,620	569,620
2020	145,000	45,000	381,090	571,090
2021	150,000	350,000	69,378	569,378
2022-2026	805,000	0	273,799	1,078,799
2027-2031	925,000	0	143,763	1,068,763
2032-2033	420,000	0	13,600	433,600
Totals	\$2,570,000	\$1,340,000	\$1,517,818	\$5,427,818

The annual requirements to retire the bus note outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$92,000	\$3,429	\$95,429
2018	92,000	1,470	93,470
Total	\$184,000	\$4,899	\$188,899

Capital leases are paid from the General and Title I Funds. Compensated absences and retirement incentives are paid from the General Fund. The District pays obligations related to employee compensation from the fund benefitting from their service.

The District's voted legal debt margin was \$24,108,721 with an unvoted debt margin of \$287,876 at June 30, 2016.

**Note 14 – Capital Leases – Lessee Disclosure**

In 2013, the District entered into capitalized leases for copier equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement. These leases were replaced in fiscal year 2016 with new leases which resulted in a reduction of liability in the amount of \$133,755.

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

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In fiscal year 2016, the District entered into a capitalized lease for copier equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement.

Capital assets acquired by lease were initially capitalized in the statement of net position for governmental activities in the amount of \$318,433 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2016 totaled \$19,429 for the new lease and \$79,728 for the old leases. Lease payments were made from the General Fund.

Principal and interest requirements to retire the capital leases at June 30, 2016 are as follows:

<u>Year Ending June 30</u>	<u>Capital Leases</u>
2017	\$64,099
2018	69,926
2019	69,926
2020	69,926
2021	52,444
Total Debt Payments	326,321
Less: Interest	(27,317)
Total Principal	<u>\$299,004</u>

**Note 15 – Interfund Activity**

Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Major Funds:</i>		
General	\$530	\$97,345
Bond Retirement	97,345	0
 <i>Nonmajor Fund:</i>		
Athletics	0	530
Total	<u>\$97,875</u>	<u>\$97,875</u>

Transfers were made from the General Fund to the Bond Retirement Fund for debt payments. Transfers were made from the Athletics Fund to the Unclaimed Monies Fund, presented with the General Fund for financial reporting purposes, to transfer unclaimed monies.

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

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Interfund Receivables/Payables

As of June 30, 2016, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
<i>Major Fund:</i>		
General	\$100,663	\$0
<i>Nonmajor Funds:</i>		
Public School Preschool	0	1,046
Title VI-B	0	17,495
Title I	0	82,122
Total Other Governmental Funds	0	100,663
Total	\$100,663	\$100,663

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

**Note 16 – Encumbrance Commitments**

At June 30, 2016, the District had encumbrance commitments in governmental funds as follows:

<i>Major Fund</i>	
General	\$318,437
<i>Nonmajor Funds</i>	
Food Service	1,591
Other Grants	3,243
Classroom Facilities Maintenance	29,451
Athletics	3,469
Title I	7,245
Total Nonmajor Funds	44,999
Total Encumbrances	\$363,436

**Note 17 – Statutory Set-Asides**

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 and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

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

	Capital Acquisition
Set-Aside Balance as of June 30, 2015	\$13,569
Current Year Set-Aside Requirement	370,096
Qualifying Disbursements	(315,769)
Totals	\$67,896
Set-Aside Balance as of June 30, 2016	\$67,896
Total Restricted Assets	\$67,896

**Note 18 – Fund Balances**

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Prepays	\$48,487	\$0	\$0	\$48,487
Unclaimed Monies	875	0	0	875
Total Nonspendable	49,362	0	0	49,362
<i>Restricted</i>				
Set-Asides	67,896	0	0	67,896
Athletics	0	0	57,179	57,179
Facilities Maintenance	0	0	815,489	815,489
Food Service	0	0	274,584	274,584
Local Grants	0	0	32,210	32,210
State Grants	0	0	8,144	8,144
Federal Grants	0	0	7,098	7,098
Debt Service	0	2,293,904	0	2,293,904
Capital Projects	0	0	10,958	10,958
Total Restricted	67,896	2,293,904	1,205,662	3,567,462
<i>Committed</i>				
Bus Purchase	1,978	0	0	1,978
Future Purchases	119,505	0	0	119,505
Employee Benefits	94,997	0	0	94,997
Total Assigned	216,480	0	0	216,480
<i>Assigned</i>				
Future Purchases	112,970	0	0	112,970
Public School Support	104,455	0	0	104,455
FY17 Appropriations in Excess of Estimated Receipts	697,711			697,711
Total Assigned	915,136	0	0	915,136
<i>Unassigned</i>	14,896,153	0	(35,030)	14,861,123
Total Fund Balances	\$16,145,027	\$2,293,904	\$1,170,632	\$19,609,563

**Note 19 – Jointly Governed Organizations**

*South Central Ohio Computer Association Council of Governments*

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Gallia, Pickaway Jackson, Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA \$236,483 for services provided during fiscal year 2016. Financial information can be obtained from SCOCA, 175 Beaver Creek Road, Suite C, Picketon, Ohio 45661.

*Meta Solutions*

The School District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2016, the School District paid Meta Solutions \$0 for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

*Gallia-Vinton Educational Service Center*

The Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Educational Service Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2016, the District made no contributions to the Educational Service Center. To obtain financial information, write to the Gallia-Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

*Gallia-Jackson-Vinton Joint Vocational School District*

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2016, the District made no contributions to the Joint Vocational School. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

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

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*State Support Team - Region 16*

The State Support Team - Region 16 (SST) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SST is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Superintendent of the District is on the SST Board and the District also has a local representative that serves as an alternate for the SST Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Note 20 – Contingencies**

*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 could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

*State Foundation Funding*

School District funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 and 2016 Foundation funding for the school district. Therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District. As of the date of this report, the District has recognized a payable of \$8,031 to ODE.

*Litigation*

The District is not currently party to legal proceedings.

**Note 21 – Restatement of Beginning Balances**

The District identified errors in previously reported fund balances and interfund receivable/payable related to its retainage accounts. These errors required the restatement of such balances which had the following impact on beginning balances:



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

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	General	Other Governmental Funds
Fund Balance, As Reported, June 30, 2015	\$14,997,427	\$942,518
Restatements	(178,382)	178,382
Fund Balance, As Restated, July 1, 2015	<u>\$14,819,045</u>	<u>\$1,120,900</u>

**Vinton County Local School District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net Pension Liability*  
*Last Three Fiscal Years*

	2014	2015	2016
<i>State Teachers Retirement System</i>			
District's proportion of the net pension liability (asset)	0.09471736%	0.09471736%	0.09112315%
District's proportionate share of the net pension liability (asset)	\$27,443,359	\$23,038,540	\$25,183,764
District's covered-employee payroll	\$9,731,354	\$9,679,500	\$9,629,029
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	282.0%	238.0%	261.5%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%
<i>School Employees Retirement System</i>			
District's proportion of the net pension liability (asset)	0.11196399%	0.11196399%	0.11476650%
District's proportionate share of the net pension liability (asset)	\$6,658,139	\$5,666,434	\$6,548,688
District's covered-employee payroll	\$4,198,115	\$4,192,115	\$4,142,056
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158.6%	135.2%	158.1%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end. Information not available prior to 2014.

**Vinton County Local School District**  
*Required Supplementary Information*  
*Schedule of District Contributions*  
*Last Ten Fiscal Years*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$1,438,352	\$1,430,402	\$1,399,364	\$1,275,514	\$1,468,246	\$1,317,541	\$1,265,076	\$1,258,335	\$1,348,064	\$1,364,112
Contributions in relation to the contractually required contribution	1,438,352	1,430,402	1,399,364	1,275,514	1,468,246	1,317,541	1,265,076	1,258,335	1,348,064	1,364,112
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$11,064,246	\$11,003,092	\$10,764,338	\$9,811,646	\$11,294,200	\$10,134,931	\$9,731,354	\$9,679,500	\$9,629,029	\$9,743,657
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$433,619	\$348,321	\$337,065	\$509,368	\$496,522	\$539,257	\$549,953	\$549,167	\$545,923	\$600,144
Contributions in relation to the contractually required contribution	433,619	348,321	337,065	509,368	496,522	539,257	549,953	549,167	545,923	600,144
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$4,060,103	\$3,547,057	\$3,425,457	\$3,985,665	\$4,204,251	\$4,246,118	\$4,198,115	\$4,192,115	\$4,142,056	\$4,286,743
Contributions as a percentage of covered-employee payroll	10.68%	9.82%	9.84%	12.78%	11.81%	12.70%	13.10%	13.10%	13.18%	14.00%

The amounts presented for each fiscal year were determined as of June 30.

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**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY**

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

<b>FEDERAL GRANTOR Pass-Through Grantor Program/Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2015/2016	\$76,789
Cash Assistance:			
School Breakfast Program	10.553	2015/2016	346,212
National School Lunch Program	10.555	2015/2016	<u>649,676</u>
Total Child Nutrition Cluster			1,072,677
Fresh Fruits and Vegetable Program	10.582	2015/2016	<u>51,466</u>
Total U.S. Department of Agriculture			1,124,143
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2015 2016	155,487 <u>866,482</u>
Total Title I Grants to Local Educational Agencies			1,021,969
Special Education Cluster:			
Special Education - Grants to States	84.027	2015 2016	79,357 <u>480,754</u>
Total Special Education - Grants to State			560,111
Special Education - Preschool Grants	84.173	2015 2016	86 <u>19,380</u>
Total Special Education - Preschool Grants			<u>19,466</u>
Total Special Education Cluster			579,577
Twenty-First Century Community Learning Centers	84.287	2015 2016	2,332 <u>196,536</u>
Total Twenty-First Century Community Learning Centers			198,868
Rural Education	84.358	2016	39,915
Improving Teacher Quality State Grants	84.367	2015 2016	7,865 <u>148,406</u>
Total Improving Teacher Quality State Grants			156,271
ARRA - Race to the Top	84.395	2015	<u>20,181</u>
Total U.S. Department of Education			<u>2,016,781</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$3,140,924</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE 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 Vinton County Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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

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 E – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair 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*

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

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 Vinton County Local School District, Vinton County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2017, wherein we noted the District restated beginning July 1, 2015 General Fund and Other Governmental Funds fund balances to remove the interfund receivable and payable related to its retainage accounts, respectively.

### ***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 opinion 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 School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***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*.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 16, 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

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

To the Board of Education::

### ***Report on Compliance for the Major Federal Program***

We have audited the Vinton County Local School District's, Vinton County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Vinton County Local 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 programs.

### ***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 Vinton County Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Vinton County Local School District  
Vinton County  
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

**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

March 16, 2017

**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON 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
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<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 Program: <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies CFDA #84.010</li> </ul>	
<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?	Yes

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

None

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

None

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# Dave Yost • Auditor of State

VINTON LOCAL SCHOOL DISTRICT

VINTON 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  
APRIL 4, 2017