YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Dave Yost • Auditor of State

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY
JUNE 30, 2016 AND 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Yellow Springs Exempted Village School District
Greene County
201 S. Walnut Street
Yellow Springs, Ohio 45387

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 Yellow Springs Exempted Village School District, Greene County, Ohio (the District), as of and for the years ended June 30, 2016 and 2015, 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 Yellow Springs Exempted Village School District, Greene County, Ohio, as of June 30, 2016 and 2015, and the respective changes in financial position thereof and the budgetary comparison

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for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in fiscal year 2015 Note 20 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

July 17, 2017

Yellow Springs Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

Financial Highlights

Key financial highlights for 2016 are as follows:

- The net position at the close of the most recent fiscal year was ($5,147,767). The District reports significant balances under *GASB 68 Financial Accounting and Reporting for Pensions* that brought on a proportionate share of the two retirements' net pension liability. These additional pension items are responsible for reducing the net position by $10,970,392. Without these items, the net position for the District would be $5,822,625.

- General revenues accounted for $7,986,538 in revenue or 81.91 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $1,763,521 or 18.09 percent of total revenues of $9,750,059.

- The District had $8,897,633 in expenses related to governmental activities; only $1,763,521 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $7,986,538 were adequate to provide for these programs.

- The general fund and the bond retirement fund are the District's major funds. The general fund had $8,642,986 in revenues and $7,978,443 in expenditures and other financing uses. The general fund balance increased $664,543 from the prior fiscal year. The bond retirement fund had $351,227 in revenues and $308,178 in expenditures. The bond retirement fund balance increased $43,049 from the prior fiscal year based on expenditures exceeding revenues.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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* presents information on all the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between these reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent 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. deferred inflow of property taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*).

Fund financial statements: 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 the funds of the District can be divided into two categories: governmental funds 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 near-term 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 the District's near-term financing requirements.

Because the focus of 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 government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The District maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the District's major funds. The general fund and bond retirement fund are the District's major funds. Data from the other thirteen governmental funds are combined into a single, aggregate presentation.

The District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the 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.

Required Supplementary Information: These four schedules provide additional information on the District's two pension systems as required by GASB 68.

Government-Wide Financial Analysis

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

Table 1
Net Position
Governmental Activities

	2016	2015	Change
Assets			
Current and other assets	$9,780,163	$ 8,534,603	$1,245,560
Capital assets, net	4,984,047	5,188,238	(204,191)
Total assets	14,764,210	13,722,841	1,041,369
Deferred Outflows of Resources			
Pension	1,426,048	803,144	622,904
Liabilities			
Current liabilities	1,011,205	996,673	14,532
Long-term liabilities			
Net Pension Liability	11,508,581	10,041,969	1,466,612
Other Long-term liabilities	3,893,926	4,206,487	(312,561)
Total liabilities	16,413,712	15,245,129	1,168,583
Deferred Inflows of Resources			
Property Taxes	4,036,454	3,463,564	572,890
Pensions	887,859	1,817,485	(929,626)
Total Deferred Inflows of Resources	4,924,313	5,281,049	(356,736)
Net Position			
Net investment in capital assets	1,795,456	1,530,926	264,530
Restricted	577,208	496,399	80,809
Unrestricted (deficit)	(7,520,431)	(8,027,518)	507,087
Total net position	($5,147,767)	($6,000,193)	$852,426

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

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

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

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

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

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

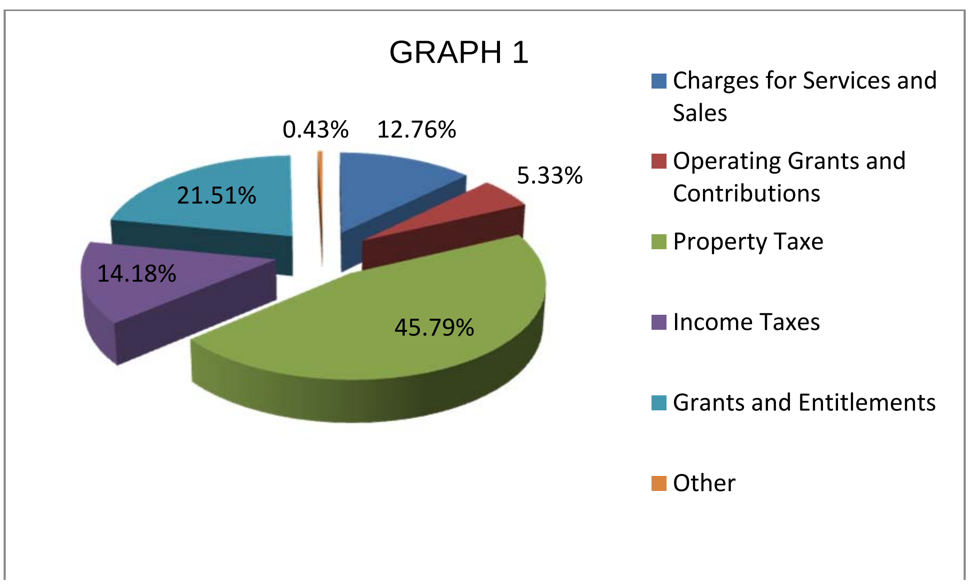
In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The District continues to generate additional revenue from the prior year tax levy and saw the cash balance across all funds increase over $731,000 coupled with an increase in taxes receivable of $381,000 was a significant reason for the overall net position increase. This resulted in total assets increasing over 7.5 percent from fiscal year 2015. The District saw total liabilities, including net pension liability, increase about 7.6 percent from fiscal year 2015. Excluding net pension liability, which increased $1.5 million, the School District actually saw liabilities decrease by $298,000.

Table 2 shows the change in revenue from fiscal year 2015 to 2016.

Table 2
Changes in Revenue
Governmental Activities

	2016	2015	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	$1,244,236	$1,279,100	($34,864)
Operating Grants and Contributions	519,285	490,971	28,314
Total Program Revenues	1,763,521	1,770,071	(6,550)
General Revenues:			
Property Taxes	4,463,771	4,382,475	81,296
Income Taxes	1,382,997	1,398,085	(15,088)
Grants and Entitlements	2,097,382	1,829,822	267,560
Investment Earnings	18,069	9,231	8,838
Miscellaneous	24,319	23,930	389
Total General Revenues	7,986,538	7,643,543	342,995
Total Revenues	$9,750,059	$9,413,614	$336,445



Graph 1 breaks down the District's government-wide revenue into percentages by type of revenue.

Table 3 shows the change in program expenses from 2015 to 2016.

Table 3
Total Program Expenses
Governmental Activities

	2016	2015	Change
Expenses:			
Instruction:			
Regular	$3,772,392	$3,595,040	$177,352
Special	1,116,921	1,189,782	(72,861)
Other	296,205	296,856	(651)
Support Services:			
Pupils	404,447	503,868	(99,421)
Instructional Staff	276,765	235,003	41,762
Board of Education	116,446	119,451	(3,005)
Administration	870,299	827,091	43,208
Fiscal/Business	400,631	364,897	35,734
Operation/Maintenance of Plant	680,530	673,291	7,239
Pupil Transportation	225,295	239,476	(14,181)
Central	59,783	46,817	12,966
Non-Instructional	253,973	238,531	15,442
Extracurricular Activities	295,257	268,399	26,858
Debt Service: Interest & Fiscal Charges	128,689	122,692	5,997
Total Expenses	8,897,633	8,721,194	176,439
Net Change	852,426	692,420	$160,006
Beginning Net Position	(6,000,193)	(6,692,613)	
Ending Net Position	($5,147,767)	($6,000,193)	

The increase in the property taxes is due to larger collections during the fiscal year. The expenses increased on a cash basis as well by over $233,000 in the general fund from increased services provided for instruction that carried forward into the government wide statement of activities.

The Major Funds

The District's major funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the District. The general fund and the bond retirement fund are the two major funds. The general fund accounted for 88.14% of the $9,805,173 in total revenue and other financing sources and 87.85% of the $9,082,300 in total expenditures. The general fund received a majority of its revenues from property taxes, income taxes and intergovernmental revenues. Revenues exceeded expenditures and other financing uses in the general fund by $664,543 creating a year end fund balance of $4,149,599. The bond retirement fund became a major fund in fiscal year 2012 due to the increased revenues and expenditures from the bond refinancing in August, 2011 and has been reported as such even though it no longer qualifies under the requirements.

The general fund recognized $958,529 in current liabilities for fiscal year 2016. Accrued wages and benefits accounted for 83.61% of those liabilities. Taxes receivable accounted for 96.59% of the $4,764,592 receivables in the general fund. The taxes receivable is mostly offset by a deferred inflow because those taxes are not intended to finance the 2016 fiscal year.

General Fund Budgetary

Table 4 compares the original and final general fund revenue budgets for the fiscal year ended June 30, 2016.

Table 4
Original Budget versus Final Budget for General Fund Revenues

	Budget		
	Original	Final	Variance
Revenues			
Property/Income Taxes	$5,500,132	$5,610,203	$110,071
Intergovernmental	1,734,196	1,900,193	165,997
Other	1,079,360	1,083,427	4,067
Total Revenues	$8,313,688	$8,593,823	$280,135

The original revenue estimates come from January, 2015 Official Certificate of Estimated Resources, which is based on the Tax Budget also completed in January, 2015. Income tax collections came in greater than anticipated and property taxes were consistent with estimates, so the variance was right at 2%. The District is heavily dependent on the open enrollment income, which accounts for the majority of intergovernmental revenue variance.

The final certificate was done at year end so the actual revenues match.

Table 5 compares the original and final general fund expenditure budgets for the fiscal year ended June 30, 2016.

Table 5
Original Budget versus Final Budget for General Fund Expenditures

	Budget		
	Original	Final	Variance
Expenditures			
Instruction	$4,995,922	$4,900,097	($95,825)
Support Services	2,927,588	2,937,759	10,171
Other	286,735	287,185	450
Total Expenditures	$8,210,245	$8,125,041	($85,204)

The original budget comes for the Tax Budget filed in January of 2015. Traditionally, the tax budget expenditures include all possible needs for the future year. The variances within in each expenditure category are very minimal. The actual expenditure total came in 1.53% lower than the final budget.

Capital Assets

At the end of the year, the District had $4,984,047 invested in land, buildings, equipment, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets:

Table 6
Capital Assets
Governmental Activities

Class:	2016	2015	Change
Land	$ 1,238,340	$ 1,238,340	0.00%
Land Improvements	537,457	537,457	0.00%
Buildings and Building Improvements	7,137,020	7,137,020	0.00%
Furniture, Fixtures, Equipment	789,746	668,146	18.20%
Vehicles	242,206	317,837	(23.80%)
Total at Historical Cost	9,944,769	9,898,800	0.46%
Less: Accumulated Depreciation	(4,960,722)	(4,710,562)	5.31%
Capital Assets, Net	**$4,984,047**	**$5,188,238**	**(3.94%)**

The majority of the increase in equipment is for technology used in instruction. For more information on the District's capital assets, refer to Note 8 of the financial statements.

Debt Administration

The District issued $835,000 of Qualified School Construction Bonds in September, 2010 to finance a House Bill 264 energy upgrade project. Qualified School Construction Bonds were derived from the American Recovery and Reinvestment Act (ARRA) of 2009; they receive interest rebates from the Federal government and are considered "interest-free." In 2013, as part of the Federal spending cuts, the interest credits were reduced to 85%. The energy conservation notes retire March 1, 2021 with annual payments being made from the cost savings realized in the general fund. The remaining balance at June 30, 2016 is $379,600.

In June, 2002 the District issued $4,420,000 in permanent improvement bonds with final maturity during fiscal year 2028. The bonds are paid from the Bond Retirement Debt Service Fund. Principal of $2,960,000 from the original issue was refunded and reissued at a lower interest rate in August, 2011. The initial bond was retired during the year. The refunding bond balance at June 30, 2016 is $2,594,999. For further information on the District's obligations, refer to Note 14 of the financial statements.

For the Future

The District continues to maintain a solid financial state due to the passage of the new $915,000/year emergency tax levy on November 6, 2012. The new levy coupled with a positive deficit spending situation has provided cash balance growth. Following recent union negotiations and the addition of staffing positions, deficit spending is on the horizon of the current five-year forecast. However, the board has maintained its objective of avoiding a deficit spending situation for the duration of the five-year forecast that was in existence during the year of the ballot issue. The 2015-16 fiscal year ended with revenues exceeding expectations and with expenditures coming in under budget; thus, adding more to the cash carryover. The District has maintained the cuts made during the reduction plan implemented four years prior. However, other growing areas, primarily special education and technology, have necessitated additional spending on staffing, contracted services, and equipment. These added costs will likely remain in the budget permanently and the District will need to look at long-term solutions to covering these costs with additional revenues or expenditure offsets.

In addition to the new emergency levy, the District has two levies that are critical to the budget and will always need renewed. The $130,000 Permanent Improvement Levy was renewed by voters on November 5, 2013. The $1,060,000 Emergency Levy provides for over twenty-percent of the general operating property tax revenue and was renewed in 2015. The levy was renewed for ten (10) years instead of five (5) years. The long range plan is to align the two emergency levies to expire at the same time then merge the two in to one levy. The Permanent Improvement Levy is critical to the upkeep of the District's facilities. The District is currently pursuing a facilities assessment and a community survey on constructing new or renovating our buildings.

Due to the changing needs of our students and state requirements, the budget increases referenced above are in addition to projecting that routine costs will increase at a faster pace than revenues. The District has implemented a project/problem based learning (PBL) curriculum. The anticipated effect on the general budget is minimal though because private monies are being sought by a new development director position to fund the professional development and supplies needed for such a program. The District has also created a Deeper Learning Training Center in which other school employees make site visits to our buildings during the school day to see how PBL is applied in the classroom. The revenues from the training center will cover all of the costs as well as provide funds for the PBL projects.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information contact Dawn Bennett, Treasurer, Yellow Springs Schools, 201 S. Walnut Street, Yellow Springs, OH 45387. 937.767.7381 Also see: www.ysschools.org

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Net Position
June 30, 2016

		Governmental Activities
Assets:		
Equity in Pooled Cash and Investments	$	4,607,854
Cash in Segregated Accounts		3,000
Accrued Interest Receivable		1,814
Accounts Receivable		37,676
Intergovernmental Receivable		138,649
Taxes Receivable		4,341,946
Income Taxes Receivable		649,224
Capital Assets:		
Non-Depreciable Capital Assets		1,238,340
Depreciable Capital Assets, net		3,745,707
Total Assets		14,764,210
Deferred Outflows		
Pension		1,426,048
Liabilities		
Accounts Payable		20,739
Accrued Wages and Benefits		823,217
Intergovernmental Payable		156,155
Accrued Interest Payable		11,094
Long-Term Liabilities:		
Due Within One Year		404,361
Due in More Than One Year		
Net Pension Liability		11,508,581
Other Long-Term Liabilities		3,489,565
Total Liabilities		16,413,712
Deferred Inflows of Resources:		
Pension		887,859
Property Taxes		4,036,454
Total Deferred Inflows of Resources		4,924,313
Net Position:		
Net investment in Capital Assets		1,795,456
Restricted for Debt Service		234,317
Restricted for Capital		185,722
Restricted for Other Purposes		157,169
Unrestricted (Deficit)		(7,520,431)
Total Net Position	$	(5,147,767)

See Accompanying Notes to the Basic Financial Statements

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

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

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net(Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 3,772,392	$ 1,081,771	$ 20,205	$ (2,670,416)
Special	1,116,921	0	197,816	(919,105)
Other	296,205	0	0	(296,205)
Support Services:				
Pupils	404,447	11,370	62,677	(330,400)
Instructional Staff	276,765	0	0	(276,765)
Board of Education	116,446	0	0	(116,446)
Administration	870,299	4,495	0	(865,804)
Fiscal	333,769	0	0	(333,769)
Business	66,862	0	0	(66,862)
Operation and Maintenance of Plant	680,530	0	0	(680,530)
Pupil Transportation	225,295	0	0	(225,295)
Central	59,783	0	3,600	(56,183)
Operation of Non-Instructional Services	253,973	97,551	143,833	(12,589)
Extracurricular Activities	295,257	49,049	91,154	(155,054)
Debt Service:				
Interest and Fiscal Charges	128,689	0	0	(128,689)
Totals	$ 8,897,633	$ 1,244,236	$ 519,285	(7,134,112)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	4,046,673
Property Taxes, Levied for Capital	120,779
Property Taxes, Levied for Debt Service	296,319
Income Taxes	1,382,997
Grants and Entitlements not Restricted to Specific Programs	2,097,382
Investment Earnings	18,069
Miscellaneous	24,319
Total General Revenues	7,986,538
Change in Net Position	852,426
Net Position Beginning of Year	(6,000,193)
Net Position End of Year	$ (5,147,767)

See Accompanying Notes to the Basic Financial Statements

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Investments	$ 4,176,684	$ 223,834	$ 207,336	$ 4,607,854
Cash in Segregated Accounts	0	0	3,000	3,000
Accrued Interest Receivable	1,814	0	0	1,814
Accounts Receivable	36,984	0	692	37,676
Intergovernmental Receivable	117,656	0	20,993	138,649
Interfund Receivable	6,230	0	0	6,230
Property Taxes Receivable	3,952,684	271,786	117,476	4,341,946
Income Taxes Receivable	649,224	0	0	649,224
Total Assets	$ 8,941,276	$ 495,620	$ 349,497	$ 9,786,393
Liabilities				
Current Liabilities:				
Accounts Payable	6,805	0	13,934	20,739
Accrued Wages and Benefits	801,446	0	21,771	823,217
Intergovernmental Payable	150,278	0	5,877	156,155
Interfund Payable	0	0	6,230	6,230
Total Liabilities	958,529	0	47,812	1,006,341
Deferred Inflows of Resources				
Property Taxes	3,740,367	255,118	111,058	4,106,543
Income Taxes	92,781	0	0	92,781
Total Deferred Inflows of Resources	3,833,148	255,118	111,058	4,199,324
Fund Balances				
Restricted	0	240,502	217,614	458,116
Assigned	2,264,976	0	0	2,264,976
Unassigned (Deficit)	1,884,623	0	(26,987)	1,857,636
Total Fund Balances	4,149,599	240,502	190,627	4,580,728
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,941,276	$ 495,620	$ 349,497	$ 9,786,393

See Accompanying Notes to the Basic Financial Statements

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

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

Total Governmental Fund Balances		$	4,580,728
Amounts reported for governmental activities on the statement of Net Position are different because of the following:			
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.			4,984,047
Revenues that do not provide current financial resources are not reported as revenues in governmental funds.			162,870
The pension liability is not due and payables in the current period; therefore, the liability and related deferred inflows/outflows are not reporting in governmental funds.			(10,970,392)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:			
Accrued Interest Payable	(11,094)		
General Obligation Bonds and Notes Payable	(3,320,475)		
Compensated Absences Payable	(573,451)		
			(3,905,020)
Net Position of Governmental Activities		$	(5,147,767)

See Accompanying Notes to the Basic Financial Statements

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

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

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	$ 4,107,689	$ 299,544	$ 122,596	$ 4,529,829
Income Taxes	1,382,211	0	0	1,382,211
Intergovernmental	2,025,710	51,683	539,274	2,616,667
Interest	18,069	0	0	18,069
Tuition and Fees	1,081,771	0	180	1,081,951
Rent	4,495	0	0	4,495
Extracurricular Activities	6,188	0	37,266	43,454
Gifts and Donations	11,370	0	5,415	16,785
Customer Sales and Services	0	0	92,867	92,867
Miscellaneous	5,483	0	5,688	11,171
Total Revenues	8,642,986	351,227	803,286	9,797,499
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,631,375	0	67,383	3,698,758
Special	923,281	0	201,674	1,124,955
Other	289,490	0	6,715	296,205
Support Services:				
Pupils	386,013	0	59,491	445,504
Instructional Staff	218,967	0	57,866	276,833
Board of Education	116,446	0	0	116,446
Administration	889,702	0	0	889,702
Fiscal	331,375	2,278	939	334,592
Business	15,643	0	0	15,643
Operation and Maintenance of Plant	603,100	0	7,370	610,470
Pupil Transportation	214,624	0	0	214,624
Central	43,816	0	3,600	47,416
Operation of Non-Instructional Services	5,845	0	247,209	253,054
Extracurricular Activities	214,886	0	71,220	286,106
Capital Outlay	0	0	72,212	72,212
Debt Service:				
Principal	84,136	215,000	0	299,136
Interest	2,070	90,900	0	92,970
Total Expenditures	7,970,769	308,178	795,679	9,074,626
Excess of Revenues Over (Under) Expenditures	672,217	43,049	7,607	722,873
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	7,674	7,674
Transfers Out	(7,674)	0	0	(7,674)
Total Other Financing Sources (Uses)	(7,674)	0	7,674	0
Net Change in Fund Balances	664,543	43,049	15,281	722,873
Fund Balance at Beginning of Year	3,485,056	197,453	175,346	3,857,855
Fund Balance at End of Year	$ 4,149,599	$ 240,502	$ 190,627	$ 4,580,728

See Accompanying Notes to the Basic Financial Statements

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

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

Net Change in Fund Balances - Total Governmental Funds		$ 722,873
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital additions	121,600	
Depreciation	(265,215)	
		(143,615)
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of Net Position and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.		
Gain (Loss) on Disposal of Capital Assets		(60,576)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Income Taxes	786	
Delinquent Property Taxes	(66,058)	
		(65,272)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:		
Change in compensated absences payable	31,849	
Increase in accrued interest payable	537	
Accretion on bonds	(36,256)	
		(3,870)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		89,953
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(4,035)
Issuance and repayment of long-term debt is reported as an expenditure or other financing sources in governmental funds, but the issuance or repayment impacts long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:		
Premium on refunding bonds	17,832	
Bond payments	215,000	
Note payments	75,900	
Capital lease payments	8,236	
		316,968
Change in Net Position of Governmental Activities		$ 852,426

See Accompanying Notes to the Basic Financial Statements

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property and Other Local Taxes	$ 4,141,546	$ 4,198,747	$ 4,198,747	$ 0
Income Tax	1,358,586	1,411,456	1,411,456	0
Intergovernmental	1,734,196	1,900,193	1,900,193	0
Interest	10,000	13,650	13,650	0
Tuition and Fees	1,061,260	1,062,746	1,062,746	0
Rent	8,000	4,495	4,495	0
Miscellaneous	100	2,536	2,536	0
Total Revenues	8,313,688	8,593,823	8,593,823	0
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,620,811	3,581,607	3,570,181	11,426
Special	1,065,111	1,031,490	1,003,594	27,896
Student Intervention Services	0	-	347	(347)
Other	310,000	287,000	289,143	(2,143)
Support Services:				
Pupils	445,536	419,504	415,194	4,310
Instructional Staff	228,467	234,233	216,443	17,790
Board of Education	112,601	131,651	124,847	6,804
Administration	886,628	897,042	892,113	4,929
Fiscal	324,871	333,450	330,221	3,229
Business	15,000	17,000	15,643	1,357
Operation and Maintenance of Plant	646,578	639,002	613,736	25,266
Pupil Transportation	229,653	225,623	214,132	11,491
Central	38,254	40,254	40,494	(240)
Operation of Non-Instructional Services	6,000	7,300	5,845	1,455
Extracurricular Activities	202,835	201,985	191,148	10,837
Debt Service				
Principal	75,900	75,900	75,900	0
Interest	2,000	2,000	1,765	235
Total Expenditures	8,210,245	8,125,041	8,000,746	124,295
Excess of Revenues (Under) Expenditures	103,443	468,782	593,077	124,295
OTHER FINANCING SOURCES (USES)				
Advances In	6,133	6,133	6,133	0
Refund of Prior Year Expenditures	65,000	62,626	62,626	0
Transfers Out	(25,000)	(15,000)	(7,674)	7,326
Advances Out	(20,000)	(10,000)	(6,230)	3,770
Total Other Financing Sources and Uses	26,133	43,759	54,855	11,096
Net Change in Fund Balances	129,576	512,541	647,932	135,391
Fund Balance at Beginning of Year	3,459,782	3,459,782	3,459,782	0
Prior Year Encumbrances Appropriated	650	650	650	0
Fund Balance at End of Year	$ 3,590,008	$ 3,972,973	$ 4,108,364	$ 135,391

See Accompanying Notes to the Basic Financial Statements

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Fiduciary Assets and Liabilities -
Agency Fund
June 30, 2016

		Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Investments	$	27,964
Total Assets		27,964
Liabilities		
Current Liabilities:		
Undistributed Monies		27,964
Total Liabilities	$	27,964

See Accompanying Notes to the Basic Financial Statements

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Yellow Springs Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Yellow Springs Exempted Village School District is a school district as defined by §3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The Board oversees the operations of the District's three instructional/support facilities staffed by 36 non-certified and 59 certified full-time teaching personnel who provide services to 564 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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. 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 does not have any component units.

The District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are Miami Valley Educational Computer Association, Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, Greene County Career Center, Miami Valley Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, and Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, respectively. These organizations are presented in Notes 18 and 19 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program 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 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 funds 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 fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

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 and liabilities is reported as fund balance. The General Fund and Bond Retirement fund are the District's only major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The other governmental funds of the District account for grants and other resources and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The District maintains one fiduciary fund. An agency fund known as the Students Activities Fund, which was established to account for revenues generated by student managed activities. The District’s agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, all liabilities, and deferred inflows associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total 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 and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

<u>Deferred Outflows/Deferred Inflows of Resources</u>

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension and property taxes. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (see Note 10). On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources. On the statement of net position, 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, have been recorded as a deferred inflow.

<u>Pension</u>

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

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 governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the fund/object level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education.

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. "Cash in segregated accounts" relates to the balance available in the District's athletic fund account.

During fiscal year 2016, investments were limited to a governmental agency security, money market funds, certificate of deposits, and sweep accounts.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to $18,069 with $1,841 assigned from other District funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. 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. The cost of inventory items is recorded as an expenditure when purchased.

H. Capital Assets

Capital assets are those assets not specifically related to 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and leases are recognized as a liability on the governmental fund financial statements when due.

K. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. 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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Of the District's $577,208 in restricted net position, none were restricted by enabling legislation.

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

L. Fund Balance

The District reports the following categories:

-Restricted fund balances related to money received from local, state or federal grants or maintained in segregated accounts for construction.
-Assigned fund balances are balances the District administration have specified the future use.
-Residual fund balance within the general fund and any fund with a negative balance in other governmental funds is reported as unassigned fund balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the District has multiple fund balances available within a particular fund, the District will spend the funds in the following order –assigned then unassigned. Restricted balance are subject to the governing documents and not subject to District policy for spending the balances.

M. Interfund Activity

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net position.

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 fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

N. Estimates

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

O. Pass-Through Grants

The Race to the Top, Handicapped Preschool and Integration of School and Mental Health special revenue funds are pass-through grants in which the Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting or Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses. Total amount recorded for revenues and expenditures was $26,170 under these programs.

3. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).

4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses

GAAP Basis	$664,543
Revenue Accruals	13,463
Expenditure Accruals	(29,977)
Advances	(97)
Budget Basis	$647,932

4. DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other 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;

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible in institutions; and

7. The State Treasurer's investment pool (STAR Ohio).

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.

<u>Deposits</u>

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $1,294,833 of the District's bank balance of $1,547,983 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

<u>Investments</u>

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

Measurement/Investment Type	Fair Value	Maturities Less than One Year	Maturities One Year to Three Years
Fair Value			
Federal National Mortgage Association Note	$400,056	$0	$400,056
Fifth Third Government Money Market funds	921,577	921,577	0
Certificates of Deposit	450,318	450,318	0
Sweep Account	1,386,772	1,386,772	0
Total	$3,158,723	$2,758,667	$400,056

4. DEPOSITS AND INVESTMENTS (Continued)

The District's investments are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk – The District follows Ohio Revised Code (ORC) which limits the amount of credit risk it's going to allow any district to become involved in. It accomplishes this by compiling a specific list of investments, to the exclusion of all other investments, which school district are legally allowed to participate in. The District has no policy limiting investments based on credit risk other than those established by the ORC. The Federal National Mortgage Association Note is rated as a AAA by Standard and Poors. The Fifth Third Government Money Market funds, certificates of deposit and sweep account are not rated.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fifth Third Government Money Market fund and the FNMA bond are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. The Certificate of Deposits are 100% FDIC insured.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's has 12.65% of its investments in Federal National Mortgage Association Notes, 29.18% of its investments in the Fifth Third Government Money Market funds, 14.26% of its investments in Certificate of Deposits and remaining 43.90% were invested in sweep account.

5. 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 distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes for 2015 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

5. PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes for 2016 were levied after April 1, 2015, on the assessed values as of December 31, 2014, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2016 (other than public utility property) represent the collection of calendar year 2016 taxes. Tangible personal property taxes for 2016 were levied after April 1, 2015, on the value as of December 31, 2015. Tangible personal property has been phased out with the current year other than tangible personal property on public utilities. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Greene and Clark Counties. The county auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available 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, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2016 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2016, was $212,317 in the General Fund, $16,668 in the Bond Retirement fund and $6,418 in the Non-major Governmental Funds. The amount available as an advance at June 30, 2015, was $303,375 in the General Fund, $20,237 in the Bond Retirement fund and $9,134 in the Non-major Governmental Funds. 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	$116,321,330	89.62%	$116,754,550	89.53%
Industrial/Commercial	12,019,270	9.26%	12,063,930	9.25%
Public Utility	1,455,900	1.12%	1,585,410	1.22%
Total Assessed Value	$129,796,500	100.00%	$130,403,890	100.00%
Full Tax rate per $1,000 of assessed valuation	$60.62		$71.00	

6. INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2002, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenues in the amount of $1,382,211 were credited to the General Fund during fiscal year 2016.

7. RECEIVABLES

Receivables at June 30, 2016, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. 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:

	Amount
Governmental Activities:	
SF6 Reimbursement	$117,656
Title VI-B Grant	10,174
Title I Grant	10,819
Total Intergovernmental Receivables	$138,649

8. CAPITAL ASSETS

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

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16
Governmental Activities				
Nondepreciable Capital Assets				
Land	$1,238,340	$0	$0	$1,238,340
Total Nondepreciable Capital Assets	1,238,340	0	0	1,238,340
Depreciable Capital Assets				
Land Improvements	537,457	0	0	537,457
Buildings and Building Improvements	7,137,020	0	0	7,137,020
Furniture, Fixtures, and Equipment	668,146	121,600	0	789,746
Vehicles	317,837	0	(75,631)	242,206
Total Depreciable Capital Assets	8,660,460	121,600	(75,631)	8,706,429
Less Accumulated Depreciation				
Land Improvements	(355,054)	(20,423)	0	(375,477)
Buildings and Building Improvements	(3,717,900)	(205,272)	0	(3,923,172)
Furniture, Fixtures, and Equipment	(409,844)	(26,079)	0	(435,923)
Vehicles	(227,764)	(13,441)	15,055	(226,150)
Total Accumulated Depreciation	(4,710,562)	(265,215)	15,055	(4,960,722)
Depreciable Capital Assets, Net	3,949,898	(143,615)	(60,576)	3,745,707
Governmental Activities Capital Assets, Net	$5,188,238	($143,615)	($60,576)	$4,984,047

8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$178,404
Support Services:	
Instructional Staff	1,036
Business	51,219
Operation and Maintenance of Plant	3,181
Pupil Transportation	12,767
Central	6,652
Operation of Non-Instructional Services	919
Extracurricular Activities	11,037
Total Depreciation Expense	$265,215

9. RISK MANAGEMENT

A. Property and Liability

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 Ohio Casualty for general liability insurance with a $1,000,000 single occurrence limit and a $2,000,000 general aggregate and $2,000,000 products completed operations aggregate limit. Property is protected by Ohio Casualty with an $23,322,770 aggregate limit and holds a $2,500 deductible.

The District's vehicles are covered under a business policy with The Ohio Casualty Company, which carries a $2,000,000 limit on any accident with a $100 comp/$250 collision deductible.

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

B. Workers' Compensation

For fiscal year 2016, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

9. RISK MANAGEMENT (Continued)

C. Medical Benefits

For fiscal year 2016, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool. The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

10. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

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

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

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

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

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

10. DEFINED PENSION BENEFIT PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

The District's contractually required contribution to SERS was $185,086 for fiscal year 2016. Of this amount $12,032 is reported as an intergovernmental payable.

10. DEFINED PENSION BENEFIT PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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.

10. DEFINED PENSION BENEFIT PLANS (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The 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 $580,325 for fiscal year 2016. Of this amount $86,336 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	$2,040,934	$9,467,647	$11,508,581
Proportion of the Net Pension			
Liability	0.035768%	0.03425705%	
Pension Expense	$198,925	$455,832	$654,757

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
Deferred Outflows of Resources			
Net difference between projected and			
actual earnings on pension plan investments	$ 152,725	$ -	$ 152,725
Differences between expected and			
actual experience	32,646	371,442	404,088
Difference between School District contributions			
and proportionate share of contributions	14,071	10,625	24,696
Changes in proportionate share	25,874	53,254	79,128
School District contributions subsequent to the			
measurement date	185,086	580,325	765,411
Total Deferred Outflows of Resources	$ 410,402	$ 1,015,646	$ 1,426,048
Deferred Inflows of Resources			
Net difference between projected and			
actual earnings on pension plan investments	$216,192	$671,667	$887,859

10. DEFINED PENSION BENEFIT PLANS (Continued)

$765,411 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	($10,225)	($133,883)	($144,108)
2018	(10,225)	(133,883)	(144,108)
2019	(10,568)	(133,883)	(144,451)
2020	40,142	165,303	205,445
Total	$9,124	($236,346)	($227,222)

Actuarial Assumptions - SERS

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

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

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

10. DEFINED PENSION BENEFIT PLANS (Continued)

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
Total	100.00 %	

10. DEFINED PENSION BENEFIT PLANS (Continued)

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%)
School District's proportionate share of the net pension liability	$2,830,042	$2,040,934	$1,376,440

Changes between Measurement Date and Report Date

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

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
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.

10. DEFINED PENSION BENEFIT PLANS (Continued)

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

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

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%)
School District's proportionate share of the net pension liability	$13,151,275	$9,467,647	$6,352,589

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 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 School District's surcharge obligation was $19,796.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $19,796, $25,691, and $19,481, respectively. 94 percent has been contributed for fiscal year 2016 with the full amount contributed for fiscal years 2015, and 2014.

B. State Teachers Retirement System

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

11. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $36,148 respectively; 100 percent has been contributed for fiscal year 2016 and 100 percent for fiscal years 2015 and 2014.

12. COMPENSATED ABSENCES

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment up to an accumulation of 25 days. The Treasurer and Superintendent can accumulate the maximum allowed by the law, currently 60 days. Only 260 day employees earn vacation time.

Administrators, classified and certificated employees earn sick leave at the rate of one and one-fourth days per month. For all employees, sick leave may be accumulated up to a maximum of 300 days and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 75 days.

Teachers, administrators, and classified employees earn three personal leave days per year. From 1987-2013, teachers and non-teaching bargaining unit members accumulated unused personal leave for the purpose of severance pay only. Upon resignation (after 4 years of employment) or retirement, teaching bargaining unit members receive $100 and non-teaching bargaining unit members receive $70 for each accumulated day of personal leave upon retirement.

All employees hired prior to 2013 are grandfathered under this language. A new personal leave incentive became effective in the 2013-14 year. Teachers and non-teaching bargaining unit members receive a lump sum payment, of varying amounts based on the number of unused personal days, no later than the end of summer following each school year.

12. COMPENSATED ABSENCES (Continued)

B. Insurance Benefits

The District provides life insurance through Sun Life, dental insurance through Delta Dental and vision insurance through VSP to its employees. Medical and surgical benefits for most employees are provided through Anthem Blue Cross and Blue Shield with pharmaceutical benefits provided through CVS/Caremark. All of the insurance benefits are purchased through the Southwestern Ohio Educational Purchasing Council.

13. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a capital lease for copiers totaling $45,931. The lease met the criteria of a capital lease as defined by Governmental Accounting Standards Board (GASB) Statement No. 62, 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 governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2016 totaled $8,236 and interest payments of $305.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2016, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	Balance at 6/30/15	Additions	Deductions	Balance at 6/30/16	Due Within One Year
Refunding Permanent Improvement Bonds 2012 Variable Rate	$2,809,999	$0	$215,000	$2,594,999	$220,000
Accretion on Capital Appreciation Bonds	95,628	36,256	0	131,884	0
Premium	231,824	0	17,832	213,992	0
Energy Conservation Notes Payable	455,500	0	75,900	379,600	75,900
Capital Leases	8,236	0	8,236	0	0
Compensated Absences Payable	605,300	217,795	249,644	573,451	108,461
Net Pension Liability					
SERS	1,776,037	264,897	0	2,040,934	0
STRS	8,265,932	1,201,715	0	9,467,647	0
Total	$14,248,456	$1,720,663	$566,612	$15,402,507	$404,361

14. LONG-TERM OBLIGATIONS – (Continued)

A. School Improvement Refunding Bonds

On August 10, 2011, the District issued $2,959,999 in school improvement refunding bonds for the purpose of partially refunding the 2002 permanent improvement bonds. The bonds were issued for a 17-year period with final maturity during fiscal year 2028. The bonds will be paid from the Bond Retirement Debt Service Fund.

Capital appreciation bonds were issued at $94,999. The capital appreciation bonds mature in fiscal year 2020 and 2021 and will bear interest compounded semiannually on June 1 and December 1 of each year and began in fiscal year 2012. The maturity amount of the capital appreciation bonds is $465,000. For fiscal year 2016, the capital appreciation bonds were accreted $36,256.

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

Year Ending June 30,	Principal	Interest	Total
2017	$220,000	$86,550	$306,550
2018	225,000	81,538	306,538
2019	225,000	75,350	300,350
2020	52,309	254,666	306,975
2021	42,690	259,285	301,975
2022-2026	1,255,000	241,863	1,496,863
2027-2028	575,000	23,300	598,300
Total	$2,594,999	$1,022,552	$3,617,551

B. Energy Conservation Notes

During 2011, the District issued $835,000 in energy conservation notes under the Qualified School Construction Bond program that will rebate just under one hundred percent of the interest costs from the Federal government. The notes were issue for a twelve year period with a final maturity of March 1, 2021. The notes will be retired from the general fund and used for updating various lighting and other electrical items throughout the school.

Principal requirements to retire the energy conservation notes outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal
2017	$75,900
2018	75,900
2019	75,900
2020	75,900
2021	76,000
Total	$379,600

The compensated absences will be paid from the funds from which the employees' salaries are paid.

14. LONG-TERM OBLIGATIONS – (Continued)

The District's voted legal debt margin of $9,381,935, energy conservation debt margin of $794,043 with an unvoted debt margin of $130,405 at June 30, 2016.

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2015	$0
Current Year Set-aside Requirement	125,844
Offset for permanent improvement levy	(125,312)
Qualifying Disbursements	(112,686)
Total	($112,154)

Although the District had qualifying disbursements during the year that reduced the capital acquisition to below zero; however, the amount is not carried forward to the next fiscal year.

16. INTERFUND TRANSACTIONS

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	$6,230	$0	$0	$7,674
Non-Major Special Revenue	0	6,230	7,674	0
Total All Funds	$6,230	$6,230	$7,674	$7,674

The interfund payables from the General Fund to the nonmajor funds relate to short term advances to the food service fund that will be repaid in the following year when those reimbursements are received. The transfer from the General Fund to the District Managed Activities fund was to cover general athletic costs.

17. FUND BALANCE ALLOCATION

The District has chosen to present to the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outlined below:

Fund Balances:	General	Bond Retirement	Non-Major Funds
Restricted for:			
Debt Service	$0	$240,502	$0
Capital Improvements	0	0	183,823
Contributor restrictions	0	0	1,217
District Activities	0	0	19,126
State and Federal Grants	0	0	13,448
Assigned to:			
Public School Support	54,267	0	0
Budgeted Appropriation	2,210,709	0	0
Unassigned	1,884,623	0	(26,987)
Total Fund Balances	$4,149,599	$240,502	$190,627

The assigned balance for public school support comes from funds the Treasurer places in a separate fund derived from various receipts at the different schools. The Treasurer also encumbers certain funds for future payment.

18. JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Educational Computer Association (MVECA)

The District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Beavercreek, Xenia and Hillsboro. 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 MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The District paid MVECA $21,782 for services provided during the year. Financial information can be obtained from Thor Sage, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

18. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund and Federal Title Funds. During fiscal year 2016, the Yellow Springs Exempted Village School District paid $537 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Drive, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association (SOITA)

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from within the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2016, the Yellow Springs Exempted Village School District paid $0 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, Interim Director, 1205 East Fifth Street, Dayton, Ohio 45402.

D. Greene County Career Center

The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Eva Anderson, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385.

18. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

E. Miami Valley Special Education Regional Resource Center

The Miami Valley Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives 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 SERRC is governed by a board of 38 members made up of the 38 superintendents, 6 parent mentors, 12 special education directors, and one university. Some entities have more than one voting delegate. Financial information can be obtained from Christopher Fox, at the Montgomery County Educational Service Center, 200 S Keowee Street, Dayton, Ohio 45402.

19. GROUP PURCHASING POOLS

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or Treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

20. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

B. Litigation

The District is currently involved in litigation with the District as defendant although the impact on the financial statements can not be determined by June 30, 2016.

20. CONTINGENCIES (Continued)

C. School Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end.

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

21. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73. "Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GAS Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pool and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pension included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

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

21. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Deficit Fund Balances

At June 30, 2016, the following funds had a deficit fund balance:

Funds	Amounts
Food Service	$ 13,966
Title I Grants	13,021

The deficits in the funds were due to timing of grant reimbursement at year end and gaap adjustments. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Yellow Springs Exempted Village School District (the "District")
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2015	2014	2013
The District's Proportion of the Net Pension Liability	0.035768%	0.035093%	0.035093%
The District's Proportion Share of the Net Pension Liability	2,040,934	1,776,037	2,086,868
The District's Covered-Employee Payroll	1,294,886	1,147,973	989,328
The District's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	157.61%	154.71%	210.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

Yellow Springs Exempted Village School District (the "District")
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2015	2014	2013
The District's Proportion of the Net Pension Liability	0.03425705%	0.03398337%	0.03398337%
The District's Proportion Share of the Net Pension Liability	9,467,647	8,265,932	9,846,324
The District's Covered-Employee Payroll	3,605,657	3,875,477	3,562,769
The District's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	262.58%	213.29%	276.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available

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Yellow Springs Exempted Village School District (the "District")
Required Supplementary Information
Schedule of District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2016	2015	2014
Contractually Required Contributions	$ 185,086	$ 170,666	$ 159,109
Contributions in Relation to the Contractually Required Contribution	(185,086)	(170,666)	(159,109)
Contribution Deficiency (Excess)	$ -	$ -	$ -
The District Covered-Employee Payroll	$ 1,322,043	$ 1,294,886	$ 1,147,973
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008	2007
$ 136,923	$ 146,636	$ 189,493	$ 174,931	$ 165,516	$ 116,569	$ 121,663
(136,923)	(146,636)	(189,493)	(174,931)	(165,516)	(116,569)	(121,663)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 989,328	$ 1,090,230	$ 1,507,502	$ 1,291,957	$ 1,682,073	$ 1,187,057	$ 1,139,167
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Yellow Springs Exempted Village School District (the "District")
Required Supplementary Information
Schedule of District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2016	2015	2014
Contractually Required Contributions	$ 580,325	$ 504,792	$ 503,812
Contributions in Relation to the Contractually Required Contribution	(580,325)	(504,792)	(503,812)
Contribution Deficiency (Excess)	$ -	$ -	$ -
The District Covered-Employee Payroll	$ 4,145,179	$ 3,605,657	$ 3,875,477
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008	2007
$ 463,160	$ 472,547	$ 539,860	$ 529,272	$ 503,964	$ 478,344	$ 480,641
(463,160)	(472,547)	(539,860)	(529,272)	(503,964)	(478,344)	(480,641)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 3,562,769	$ 3,634,977	$ 4,152,769	$ 4,071,323	$ 3,876,646	$ 3,679,569	$ 3,697,238
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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The discussion and analysis of Yellow Springs Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The net position at the close of the most recent fiscal year was ($6,000,193). The District implemented *GASB 68 Financial Accounting and Reporting for Pensions* that brought on a proportionate share of the two retirements' net pension liability. These additional pension items are responsible for reducing the net position by $11,056,310. Without these items, the net position for the District would be $5,056,117.

- General revenues accounted for $7,643,543 in revenue or 81.20 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $1,770,071 or 18.80 percent of total revenues of $9,413,614.

- The District had $8,721,194 in expenses related to governmental activities; only $1,770,071 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $7,643,543 were adequate to provide for these programs.

- The general fund and the bond retirement fund are the District's major funds. The general fund had $8,213,075 in revenues and $7,865,488 in expenditures and other financing uses. The general fund balance increased $347,587 from the prior fiscal year. The bond retirement fund had $278,127 in revenues and $315,560 in expenditures. The bond retirement fund balance decreased ($37,433) from the prior fiscal year based on expenditures exceeding receipts.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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* presents information on all the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between these reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent 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. deferred inflow of property taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*).

Fund financial statements: 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 the funds of the District can be divided into two categories: governmental funds 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 near-term 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 the District's near-term financing requirements.

Because the focus of 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 government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The District maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the District's major funds. The general fund and bond retirement fund are the District's major funds. Data from the other fifteen governmental funds are combined into a single, aggregate presentation.

The District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the 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.

Required Supplementary Information: These four schedules provide additional information on the District's two pension systems as required by GASB 68.

Government-Wide Financial Analysis

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a comparison of the District's net position for 2014 to 2015.

Table 1
Net Position
Governmental Activities

	2015	Restated 2014	Change
Assets			
Current and other assets	$ 8,534,603	$ 8,159,768	$374,835
Capital assets, net	5,188,238	5,374,664	(186,426)
Total assets	13,722,841	13,534,432	188,409
Deferred Outflows of Resources			
Pension	803,144	670,153	132,991
Liabilities			
Current liabilities	996,673	829,996	166,677
Long-term liabilities			
Net Pension Liability	10,041,969	11,933,192	(1,891,223)
Other Long-term liabilities	4,206,487	4,462,533	(256,046)
Total liabilities	15,245,129	17,225,721	(1,980,592)
Deferred Inflows of Resources			
Property Taxes	3,463,564	3,671,477	(207,913)
Pensions	1,817,485	-	1,817,485
Total Deferred Inflows of Resources	5,281,049	3,671,477	1,609,572
Net Position			
Net investment in capital assets	1,530,926	1,737,168	(206,242)
Restricted	496,399	406,143	90,256
Unrestricted (deficit)	(8,027,518)	(8,835,924)	808,406
Total net position	($6,000,193)	($6,692,613)	$692,420

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

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

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

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $4,570,426 to ($6,692,613).

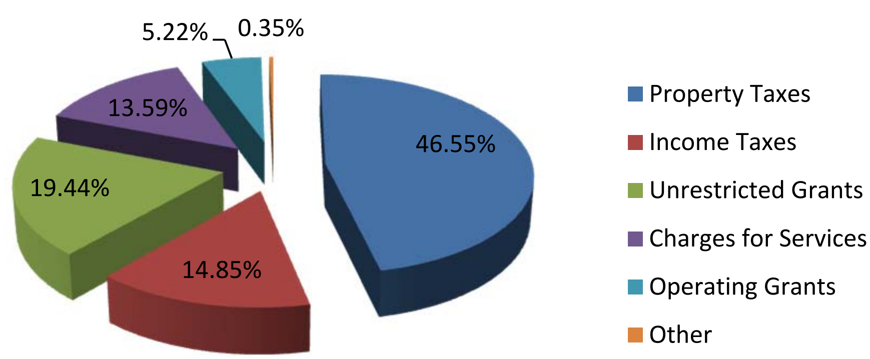
The District continues to generate additional revenue from the prior year tax levy and saw the cash balance across all funds increase over $695,000 but this was offset by a reduction in taxes receivable of over $259,000. Along with a few other small items, this explains why the current and other assets increased. The District saw total liabilities, excluding net pension liability, decrease over $89,000 as the District retired a capital appreciation bond and paid down balances on the other debts.

Table 2 shows the change in revenue from fiscal year 2014 to 2015.

Table 2
Changes in Revenue
Governmental Activities

	2015	2014	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	$1,279,100	$1,148,252	$130,848
Operating Grants and Contributions	490,971	537,345	(46,374)
Total Program Revenues	1,770,071	1,685,597	84,474
General Revenues:			
Property Taxes	4,382,475	4,490,166	(107,691)
Income Taxes	1,398,085	1,261,352	136,733
Grants and Entitlements	1,829,822	1,829,863	(41)
Investment Earnings	9,231	6,161	3,070
Miscellaneous	23,930	18,370	5,560
Total General Revenues	7,643,543	7,605,912	37,631
Total Revenues	$9,413,614	$9,291,509	$122,105

GRAPH 1



Graph 1 breaks down the District's government-wide revenue into percentages by type of revenue.

Table 3 shows the change in program expenses from 2014 to 2015.

Table 3
Total Program Expenses
Governmental Activities

	2015	Restated **2014**	**Change**
Expenses:			
Instruction:			
Regular	$3,595,040	$ 3,591,809	$3,231
Special Education	1,189,782	1,171,617	18,165
Other	296,856	274,572	22,284
Support Services:			
Pupils	503,868	456,482	47,386
Instructional Staff	235,003	229,508	5,495
Board of Education	119,451	60,503	58,948
Administration	827,091	795,083	32,008
Fiscal/Business	364,897	424,947	(60,050)
Operation/Maintenance of Plant	673,291	539,785	133,506
Pupil Transportation	239,476	228,067	11,409
Central	46,817	45,672	1,145
Non-Instructional	238,531	263,896	(25,365)
Extracurricular Activities	268,399	247,257	21,142
Debt Service: Interest & Fiscal Charges	122,692	141,206	(18,514)
Total Expenses	$8,721,194	$ 8,470,404	$250,790
Net Change	692,420	821,105	$128,685
Beginning Net Position	(6,692,613)	N/A	
Ending Net Position	($6,000,193)	($6,692,613)	

The decrease in the property taxes is due to a larger amount available for advance in fiscal year 2014 than fiscal year 2015. This was offset by the increase in income taxes as the base for the District increased. The changes in the expenses are misleading as the pension component of these functions decreased above by $242,542 but the District is required to report the fiscal year 2015 retirement contributions as a deferred outflow and then amortize certain pension related deferred outflows and deferred inflows. Without that reduction, the functional expenses actually increase by 5.82%.

The Major Funds

The District's major funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the District. The general fund and the bond retirement fund are the two major funds. The general fund accounted for 88.25% of the $9,306,969 in total revenue and 87.55% of the $8,974,134 in total expenditures. The general fund received a majority of its revenues from property taxes, income taxes and intergovernmental revenues. Revenues exceeded expenditures and other financing uses in the general fund by $347,587 leaving a year end fund balance of $3,485,056. The bond retirement fund became a major fund in fiscal year 2012 due to the increased revenues and expenditures from the bond refinancing in August, 2011 and has been left as such even though it no longer qualifies under the requirements.

The general fund recognized $937,377 in current liabilities for fiscal year 2015. Accrued wages and benefits accounted for 78.78% of those liabilities. Taxes receivable accounted for 99.8% of the $4,250,633 receivables in the general fund. The taxes receivable is mostly offset by a deferred inflow because those taxes are not intended to finance the 2015 fiscal year.

General Fund Budgetary

Table 4 compares the original and final general fund revenue budgets for the fiscal year ended June 30, 2015.

Table 4
Original Budget versus Final Budget for General Fund Revenues

	Budget		
	Original	Final	Variance
Revenues			
Property/Income Taxes	$5,412,657	$5,438,343	$25,686
Intergovernmental	1,774,600	1,777,342	2,742
Other	1,013,154	1,146,888	133,734
Total Revenues	$8,200,411	8,362,573	$162,162

The original revenue estimates come from January, 2014 Official Certificate of Estimated Resources, which is based on the Tax Budget also completed in January, 2014. Income tax collections came in greater than anticipated and property taxes were consistent with estimates, so the variance was less than 1%. The District is heavily dependent on the open enrollment income, which accounts for the majority of Other revenue. Tuition charged to other districts increased.

The final certificate was done at year so the actual revenues match.

Table 5 compares the original and final general fund expenditure budgets for the fiscal year ended June 30, 2015.

Table 5
Original Budget versus Final Budget for General Fund Expenditures

	Budget		
	Original	Final	Variance
Expenditures			
Instruction	$4,723,537	$4,730,784	$7,247
Support Services	2,838,283	2,843,654	5,371
Other	271,460	288,524	17,064
Total Expenditures	$7,833,280	$7,862,962	$29,682

The original budget comes for the Tax Budget filed in January of 2014. Traditionally, the tax budget expenditures include all possible needs for the future year. The variances within in each expenditure category are very minimal. The actual expenditure total came in 1.23% lower than the final budget.

Capital Assets

At the end of the year, the District had $5,188,238 invested in land, buildings, equipment, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets:

Table 6
Capital Assets
Governmental Activities

Class:	2015	2014	Change
Land	$ 1,238,340	$ 1,238,340	0.00%
Land Improvements	537,457	537,457	0.00%
Buildings and Building Improvements	7,137,020	7,137,020	0.00%
Furniture, Fixtures, Equipment	668,146	668,146	0.00%
Vehicles	317,837	288,394	10.21%
Total at Historical Cost	9,898,800	$ 9,869,357	0.30%
Less: Accumulated Depreciation	(4,710,562)	(4,494,693)	4.80%
Capital Assets, Net	**$5,188,238**	**$ 5,374,664**	**(3.47%)**

The majority of the increase is for vehicles. For more information on the District's capital assets, refer to Note 8 of the financial statements.

Debt Administration

The District issued $835,000 of Qualified School Construction Bonds in September, 2010 to finance a House Bill 264 energy upgrade project. Qualified School Construction Bonds were derived from the American Recovery and Reinvestment Act (ARRA) of 2009; they receive interest rebates from the Federal government and are considered "interest-free." In 2013, as part of the Federal spending cuts, the interest credits were reduced to 85%. The energy conservation notes retire March 1, 2021 with annual payments being made from the cost savings realized in the general fund. The remaining balance at June 30, 2015 is $455,500.

In June, 2002 the District issued $4,420,000 in permanent improvement bonds with final maturity during fiscal year 2028. The bonds are paid from the Bond Retirement Debt Service Fund. Principal of $2,960,000 from the original issue was refunded and reissued at a lower interest rate in August, 2011. The initial bond was retired during the year. The refunding bond balance at June 30, 2015 is $2,809,999. For further information on the District's obligations, refer to Note 14 of the financial statements.

For the Future

The District is currently in a solid financial state due to the passage of the new $915,000/year emergency tax levy passed on November 6, 2012. The amount of the levy was derived from the board having the objective of avoiding a deficit spending situation for the duration of the five-year forecast in existence during the year of the ballot issue. The 2014-15 fiscal year ended with revenues exceeding expectations and with expenditures coming in under budget; thus, adding more to the cash carryover. The District has maintained the cuts made during the reduction plan implemented three years prior. However, other growing areas, primarily special education and technology, have necessitated additional spending on staffing, contracted services, and equipment. These added costs will likely remain in the budget permanently and the District will need to look at long-term solutions to covering these costs with additional revenues or expenditure offsets.

In addition to the new emergency levy, the District has two levies that are critical to the budget and will always need renewed. The $130,000 Permanent Improvement Levy was renewed by voters on November 5, 2013. The $1,060,000 Emergency Levy provides for over twenty-percent of the general operating property tax revenue and was renewed in 2015. The Permanent Improvement Levy was always used to pay for technology needs. Due to the inception of online testing creating the need for additional one-to-one computing, the District decided that technology should be a general operating expense and that the Permanent Improvement funds should be used towards our aging buildings. This is another area that will have a significant impact on the five-year forecast.

Due to the changing needs of our students and state requirements, the budget increases referenced above are in addition to projecting that routine costs will increase at a faster pace than revenues. The District's ten-year strategic plan includes district-wide implementation of project/problem based learning. The anticipated effect on the general budget is minimal though because private monies are being sought to fund the professional development and supplies needed for such a program. The District has made a commitment to being pro-active and cutting edge with our curriculum and practices, while maintaining efforts to remain frugal and cost-efficient.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information contact Dawn Bennett, Treasurer, Yellow Springs Schools, 201 S. Walnut Street, Yellow Springs, OH 45387. 937.767.7381 Also see: www.ysschools.org

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Net Position
June 30, 2015

		Governmental Activities
Assets:		
Equity in Pooled Cash and Investments	$	3,876,697
Cash in Segregated Accounts		2,445
Materials and Supplies Inventory		4,027
Accrued Interest Receivable		1,512
Accounts Receivable		9,926
Intergovernmental Receivable		29,856
Taxes Receivable		3,932,457
Income Taxes Receivable		677,683
Capital Assets:		
Non-Depreciable Capital Assets		1,238,340
Depreciable Capital Assets, net		3,949,898
Total Assets		13,722,841
Deferred Outflows		
Pension		803,144
Liabilities		
Accounts Payable		53,011
Accrued Wages and Benefits		763,554
Intergovernmental Payable		168,477
Accrued Interest Payable		11,631
Long-Term Liabilities:		
Due Within One Year		411,342
Due in More Than One Year		
Net Pension Liability		10,041,969
Other Long-Term Liabilities		3,795,145
Total Liabilities		15,245,129
Deferred Inflows of Resources:		
Pension		1,817,485
Property Taxes		3,463,564
Total Deferred Inflows of Resources		5,281,049
Net Position:		
Net investment in Capital Assets		1,530,926
Restricted for Debt Service		193,956
Restricted for Capital		138,857
Restricted for Other Purposes		163,586
Unrestricted (Deficit)		(8,027,518)
Total Net Position	$	(6,000,193)

See Accompanying Notes to the Basic Financial Statements

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Activities
For the Fiscal Year Ended June 30, 2015

		Program Revenues		Net(Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 3,595,040	$ 1,094,352	$ 22,183	$ (2,478,505)
Special	1,189,782	0	222,586	(967,196)
Other	296,856	0	0	(296,856)
Support Services:				
Pupils	503,868	22,554	59,081	(422,233)
Instructional Staff	235,003	0	0	(235,003)
Board of Education	119,451	0	0	(119,451)
Administration	827,091	3,727	0	(823,364)
Fiscal	310,391	0	0	(310,391)
Business	54,506	0	0	(54,506)
Operation and Maintenance of Plant	673,291	0	3,150	(670,141)
Pupil Transportation	239,476	0	0	(239,476)
Central	46,817	0	3,600	(43,217)
Operation of Non-Instructional Services	238,531	96,007	140,371	(2,153)
Extracurricular Activities	268,399	62,460	40,000	(165,939)
Debt Service:				
Interest and Fiscal Charges	122,692	0	0	(122,692)
Totals	$ 8,721,194	$ 1,279,100	$ 490,971	(6,951,123)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	4,000,183
Property Taxes, Levied for Capital	147,459
Property Taxes, Levied for Debt Service	234,833
Income Taxes	1,398,085
Grants and Entitlements not Restricted to Specific Programs	1,829,822
Investment Earnings	9,231
Miscellaneous	23,930
Total General Revenues	7,643,543
Change in Net Position	692,420
Net Position Beginning of Year - Restated	(6,692,613)
Net Position End of Year	$ (6,000,193)

See Accompanying Notes to the Basic Financial Statements

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Investments	$ 3,527,090	$ 177,216	$ 172,391	$ 3,876,697
Cash in Segregated Accounts	0	0	2,445	2,445
Materials and Supplies Inventory	0	0	4,027	4,027
Accrued Interest Receivable	1,512	0	0	1,512
Accounts Receivable	346	0	9,580	9,926
Intergovernmental Receivable	0	0	29,856	29,856
Interfund Receivable	4,422	0	0	4,422
Property Taxes Receivable	3,566,670	256,648	109,139	3,932,457
Income Taxes Receivable	677,683	0	0	677,683
Total Assets	$ 7,777,723	$ 433,864	$ 327,438	$ 8,539,025
Liabilities				
Current Liabilities:				
Accounts Payable	37,522	0	15,489	53,011
Accrued Wages and Benefits	738,511	0	25,043	763,554
Intergovernmental Payable	161,344	0	7,133	168,477
Interfund Payable	0	0	4,422	4,422
Total Liabilities	937,377	0	52,087	989,464
Deferred Inflows of Resources				
Property Taxes	3,263,295	236,411	100,005	3,599,711
Income Taxes	91,995	0	0	91,995
Total Deferred Inflows of Resources	3,355,290	236,411	100,005	3,691,706
Fund Balances				
Nonspendable	0	0	4,027	4,027
Restricted	0	197,453	183,930	381,383
Assigned	1,292,472	0	0	1,292,472
Unassigned (Deficit)	2,192,584	0	(12,611)	2,179,973
Total Fund Balances	3,485,056	197,453	175,346	3,857,855
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,777,723	$ 433,864	$ 327,438	$ 8,539,025

See Accompanying Notes to the Basic Financial Statements

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		$	3,857,855
Amounts reported for governmental activities on the statement of Net Position are different because of the following:			
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.			5,188,238
Revenues that do not provide current financial resources are not reported as revenues in governmental funds.			228,142
The pension liability is not due and payables in the current period; therefore, the liability and related deferred inflows/outflows are not reporting in governmental funds.			(11,056,310)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:			
Accrued Interest Payable	(11,631)		
Capital Leases Payable	(8,236)		
General Obligation Bonds and Notes Payable	(3,592,951)		
Compensated Absences Payable	(605,300)		
			(4,218,118)
Net Position of Governmental Activities		$	(6,000,193)

See Accompanying Notes to the Basic Financial Statements

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	$ 3,923,157	229,889	145,186	$ 4,298,232
Income Taxes	1,388,540	0	0	1,388,540
Intergovernmental	1,759,530	48,238	514,850	2,322,618
Interest	9,231	0	0	9,231
Tuition and Fees	1,094,352	0	0	1,094,352
Rent	3,727	0	0	3,727
Extracurricular Activities	9,227	0	50,087	59,314
Gifts and Donations	22,554	0	6,296	28,850
Customer Sales and Services	0	0	94,585	94,585
Miscellaneous	2,757	0	4,763	7,520
Total Revenues	8,213,075	278,127	815,767	9,306,969
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,460,323	0	51,672	3,511,995
Special	982,353	0	225,397	1,207,750
Other	296,856	0	0	296,856
Support Services:				
Pupils	423,545	0	63,822	487,367
Instructional Staff	216,513	0	27,378	243,891
Board of Education	119,451	0	0	119,451
Administration	839,909	0	1,752	841,661
Fiscal	320,020	2,010	2,673	324,703
Business	3,287	0	0	3,287
Operation and Maintenance of Plant	626,750	0	13,000	639,750
Pupil Transportation	233,636	0	83,613	317,249
Central	35,572	0	3,600	39,172
Operation of Non-Instructional Services	5,750	0	231,862	237,612
Extracurricular Activities	203,150	0	54,120	257,270
Capital Outlay	0	0	43,165	43,165
Debt Service:				
Principal	86,072	95,000	0	181,072
Interest	3,333	218,550	0	221,883
Total Expenditures	7,856,520	315,560	802,054	8,974,134
Excess of Revenues Over (Under) Expenditures	356,555	(37,433)	13,713	332,835
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	8,968	8,968
Transfers Out	(8,968)	0	0	(8,968)
Total Other Financing Sources (Uses)	(8,968)	0	8,968	0
Net Change in Fund Balances	347,587	(37,433)	22,681	332,835
Fund Balance at Beginning of Year	3,137,469	234,886	152,665	3,525,020
Fund Balance at End of Year	$ 3,485,056	$ 197,453	$ 175,346	$ 3,857,855

See Accompanying Notes to the Basic Financial Statements

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		$ 332,835
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital additions	90,746	
Depreciation	(277,172)	
		(186,426)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Intergovernmental	(4,975)	
Income Taxes	9,545	
Delinquent Property Taxes	84,243	
		88,813
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:		
Change in compensated absences payable	(47,626)	
Increase in accrued interest payable	4,653	
Retirement of bond accretion	125,000	
Accretion on bonds	(30,462)	
		51,565
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		5,305
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		201,424
Issuance and repayment of long-term debt is reported as an expenditure or other financing sources in governmental funds, but the issuance or repayment impacts long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:		
Premium on refunding bonds	17,832	
Bond payments	95,000	
Note payments	75,900	
Capital lease payments	10,172	
		198,904
Change in Net Position of Governmental Activities		$ 692,420

See Accompanying Notes to the Basic Financial Statements

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property and Other Local Taxes	$ 4,108,507	$ 4,106,396	$ 4,106,396	$ 0
Income Tax	1,304,150	1,331,947	1,331,947	0
Intergovernmental	1,774,600	1,777,342	1,777,342	0
Interest	6,000	8,580	8,580	0
Tuition and Fees	980,054	1,102,692	1,102,692	0
Rent	3,000	3,727	3,727	0
Extracurricular Activities	11,000	9,227	9,227	0
Gifts and Donations	13,000	22,554	22,554	0
Miscellaneous	100	108	108	0
Total Revenues	8,200,411	8,362,573	8,362,573	0
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,442,220	3,420,374	3,400,892	19,482
Special	1,014,317	1,006,910	980,454	26,456
Student Intervention Services	2,000	-	0	-
Other	265,000	303,500	296,856	6,644
Support Services:				
Pupils	442,576	436,726	415,408	21,318
Instructional Staff	224,018	208,857	215,014	(6,157)
Board of Education	84,190	123,769	120,921	2,848
Administration	836,404	834,244	827,277	6,967
Fiscal	323,162	323,312	321,172	2,140
Business	4,000	4,000	3,287	713
Operation and Maintenance of Plant	652,965	636,752	632,137	4,615
Pupil Transportation	233,962	239,842	229,685	10,157
Central	37,006	36,152	35,418	734
Operation of Non-Instructional Services	4,900	5,750	5,750	-
Extracurricular Activities	188,460	204,674	204,473	201
Debt Service				
Principal	75,900	75,900	75,900	0
Interest	2,200	2,200	2,117	83
Total Expenditures	7,833,280	7,862,962	7,766,761	96,201
Excess of Revenues (Under) Expenditures	367,131	499,611	595,812	96,201
OTHER FINANCING SOURCES (USES)				
Advances In	18,663	18,663	18,663	0
Insurance Recoveries	0	2,303	2,303	0
Refund of Prior Year Expenditures	51,000	108,067	108,067	0
Transfers Out	(25,000)	(25,000)	(8,968)	16,032
Advances Out	(20,000)	(20,000)	(6,133)	13,867
Total Other Financing Sources and Uses	24,663	84,033	113,932	29,899
Net Change in Fund Balances	391,794	583,644	709,744	126,100
Fund Balance at Beginning of Year	2,816,905	2,816,905	2,816,905	0
Prior Year Encumbrances Appropriated	338	338	338	0
Fund Balance at End of Year	$ 3,209,037	$ 3,400,887	$ 3,526,987	$ 126,100

See Accompanying Notes to the Basic Financial Statements

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Fiduciary Assets and Liabilities -
Agency Fund
June 30, 2015

		Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Investments	$	25,496
Total Assets		25,496
Liabilities		
Current Liabilities:		
Undistributed Monies		25,496
Total Liabilities	$	25,496

See Accompanying Notes to the Basic Financial Statements

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Yellow Springs Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Yellow Springs Exempted Village School District is a school district as defined by §3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The Board oversees the operations of the District's three instructional/support facilities staffed by 32 non-certified and 57 certified full-time teaching personnel who provide services to 598 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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. 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 does not have any component units.

The District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are Miami Valley Educational Computer Association, Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, Greene County Career Center, Miami Valley Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, and Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, respectively. These organizations are presented in Notes 18 and 19 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program 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 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 funds 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 fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

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 and liabilities is reported as fund balance. The General Fund and Bond Retirement fund are the District's only major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The other governmental funds of the District account for grants and other resources and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The District maintains one fiduciary fund. An agency fund known as the Students Activities Fund, which was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, all liabilities, and deferred inflows associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total 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 and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

<u>Deferred Outflows/Deferred Inflows of Resources</u>

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension and property taxes. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (see Note 10). On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources. On the statement of net position, property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, have been recorded as a deferred inflow.

<u>Pension</u>

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

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 governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the fund/object level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education.

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. "Cash in segregated accounts" relates to the balance available in the District's athletic fund account.

During fiscal year 2015, investments were limited to a governmental agency security, money market funds, certificates of deposit and sweep accounts.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to $9,231 with $930 assigned from other District funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. 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. The cost of inventory items is recorded as an expenditure when purchased. The balance is reported within the respective fund as a nonspendable fund balance.

H. Capital Assets

Capital assets are those assets not specifically related to 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and leases are recognized as a liability on the governmental fund financial statements when due.

K. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. 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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Of the District's $496,399 in restricted net position, none were restricted by enabling legislation.

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

L. Fund Balance

The District reports the following categories:

-Nonspendable fund balance relates to the value of consumable inventories and prepaids.
-Restricted fund balances related to money received from local, state or federal grants or maintained
in segregated accounts for construction.
-Assigned fund balances are balances the District administration have specified the future use.
-Residual fund balance within the general fund and any fund with a negative balance in other governmental funds is reported as unassigned fund balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the District has multiple fund balances available within a particular fund, the District will spend the funds in the following order – committed, assigned then unassigned. Nonspendable and restricted balance are subject to the governing documents and not subject to District policy for spending the balances.

M. Interfund Activity

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables.” Interfund balances within governmental activities are eliminated on the government-wide statement of net position.

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 fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

N. Estimates

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

O. Pass-Through Grants

The Race to the Top, Handicapped Preschool and Integration of School and Mental Health special revenue funds are pass-through grants in which the Educational Service Center is the primary recipient. In accordance with GASB Statement 24, “Accounting and Financial Reporting or Certain Grants and Other Financial Assistance,” the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses. Total amount recorded for revenues and expenditures was $23,289 under these programs.

3. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).

4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses

GAAP Basis	$347,587
Revenue Accruals	151,801
Expenditure Accruals	199,126
Advances	12,530
Encumbrances	(1,300)
Budget Basis	$709,744

4. DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies that 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 five years from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other 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;

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible in institutions; and

7. The State Treasurer's investment pool (STAR Ohio).

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $733,007 of the District's bank balance of $985,492 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2015, the District had the following investments and maturities:

Investment Type	Fair Value	Maturities Less than One Year	Maturities One Year to Three Years
Federal National Mortgage Association Note	$399,284	$0	$399,284
Fifth Third Government Money Market funds	160,544	160,544	0
Certificates of Deposit	1,199,636	750,100	449,536
Sweep Account	1,226,012	1,226,012	0
Total	$2,985,476	$2,136,656	$848,820

4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk – The District follows Ohio Revised Code (ORC) which limits the amount of credit risk it's going to allow any district to become involved in. It accomplishes this by compiling a specific list of investments, to the exclusion of all other investments, which school district are legally allowed to participate in. The District has no policy limiting investments based on credit risk other than those established by the ORC. The Federal National Mortgage Association Note is rated as a AAA by Standard and Poors. The Fifth Third Government Money Market funds, certificates of deposit and sweep account are not rated.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fifth Third Government Money Market fund and the FNMA bond are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. The Certificate of Deposits are 100% FDIC insured.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's has 13.37% of its investments in Federal National Mortgage Association Notes, 5.38% of its investments in the Fifth Third Government Money Market funds, 40.18% of its investments in Certificate of Deposits and remaining 41.07% were invested in sweep account.

5. 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 distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes for 2014 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

5. PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes for 2015 were levied after April 1, 2014, on the assessed values as of December 31, 2013, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2015 (other than public utility property) represent the collection of calendar year 2015 taxes. Tangible personal property taxes for 2015 were levied after April 1, 2014, on the value as of December 31, 2014. Tangible personal property has been phased out with the current year other than tangible personal property on public utilities. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Greene and Clark Counties. The county auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015, are available to finance fiscal year 2015 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, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2015 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2015, was $303,375 in the General Fund, $20,237 in the Bond Retirement fund and $9,134 in the Non-major Governmental Funds. The amount available as an advance at June 30, 2014, was $486,614 in the General Fund, $32,835 in the Bond Retirement fund and $14,861 in the Non-major Governmental Funds. The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	**Percent**	**Amount**	**Percent**
Agricultural/Residential	$114,165,490	89.62%	$116,321,330	89.62%
Industrial/Commercial	11,833,490	9.29%	12,019,270	9.26%
Public Utility	1,394,810	1.09%	1,455,900	1.12%
Total Assessed Value	$127,393,790	100.00%	$129,796,500	100.00%
Tax rate per $1,000 of assessed valuation	$60.62		$60.62	

6. INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2002, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenues in the amount of $1,388,540 were credited to the General Fund during fiscal year 2015.

7. RECEIVABLES

Receivables at June 30, 2015, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. 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:

	Amount
Governmental Activities:	
Title VI-B Grant	$12,789
Title I Grant	17,067
Total Intergovernmental Receivables	$29,856

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15
Governmental Activities				
Nondepreciable Capital Assets				
Land	$1,238,340	$0	$0	$1,238,340
Total Nondepreciable Capital Assets	1,238,340	0	0	1,238,340
Depreciable Capital Assets				
Land Improvements	537,457	0	0	537,457
Buildings and Building Improvements	7,137,020	0	0	7,137,020
Furniture, Fixtures, and Equipment	668,146	0	0	668,146
Vehicles	288,394	90,746	(61,303)	317,837
Total Depreciable Capital Assets	8,631,017	90,746	(61,303)	8,660,460
Less Accumulated Depreciation				
Land Improvements	(333,456)	(21,598)	0	(355,054)
Buildings and Building Improvements	(3,508,145)	(209,755)	0	(3,717,900)
Furniture, Fixtures, and Equipment	(374,054)	(35,790)	0	(409,844)
Vehicles	(279,038)	(10,029)	61,303	(227,764)
Total Accumulated Depreciation	(4,494,693)	(277,172)	61,303	(4,710,562)
Depreciable Capital Assets, Net	4,136,324	(186,426)	0	3,949,898
Governmental Activities Capital Assets, Net	$5,374,664	($186,426)	$0	$5,188,238

8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$191,600
Support Services:	
Pupils	950
Administration	772
Fiscal	772
Business	51,219
Operation and Maintenance of Plant	3,181
Pupil Transportation	9,803
Central	6,652
Operation of Non-Instructional Services	919
Extracurricular Activities	11,304
Total Depreciation Expense	$277,172

9. RISK MANAGEMENT

A. Property and Liability

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 2015, the District contracted with Ohio Casualty for general liability insurance with a $1,000,000 single occurrence limit and a $2,000,000 general aggregate and $2,000,000 products completed operations aggregate limit. Property is protected by Ohio Casualty with an $23,322,770 aggregate limit and holds a $2,500 deductible.

The District's vehicles are covered under a business policy with The Ohio Casualty Company, which carries a $2,000,000 limit on any accident with a $100 comp/$250 collision deductible.

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

B. Workers' Compensation

For fiscal year 2015, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

9. RISK MANAGEMENT (Continued)

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2015, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool. The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

10. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

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

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

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

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

10. DEFINED PENSION BENEFIT PLANS (Continued)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $170,666 for fiscal year 2015. Of this amount $26,418 is reported as an intergovernmental payable.

10. DEFINED PENSION BENEFIT PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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.

10. DEFINED PENSION BENEFIT PLANS (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $504,792 for fiscal year 2015. Of this amount $74,226 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, 2014, 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	$1,776,037	$8,265,932	$10,041,969
Proportion of the Net Pension Liability	0.035093%	0.03398337%	
Pension Expense	$108,575	$324,341	$432,916

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$15,116	$79,578	$94,694
Difference between School District contributions and proportionate share of contributions	18,825	14,167	32,992
School District contributions subsequent to the measurement date	170,666	504,792	675,458
Total Deferred Outflows of Resources	$204,607	$598,537	$803,144
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$288,256	$1,529,229	$1,817,485

10. DEFINED PENSION BENEFIT PLANS (Continued)

$675,458 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, 2016. 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:			
2016	($65,015)	($358,871)	($423,886)
2017	(65,015)	(358,871)	(423,886)
2018	(65,015)	(358,871)	(423,886)
2019	(59,270)	(358,871)	(418,141)
Total	($254,315)	($1,435,484)	($1,689,799)

Actuarial Assumptions - SERS

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

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

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

10. DEFINED PENSION BENEFIT PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, 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
Total	100.00 %	

10. DEFINED PENSION BENEFIT PLANS (Continued)

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%)
School District's proportionate share of the net pension liability	$2,533,872	$1,776,037	$1,138,626

Changes between Measurement Date and Report Date

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

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, 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, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

10. DEFINED PENSION BENEFIT PLANS (Continued)

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

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%)
School District's proportionate share of the net pension liability	$11,833,235	$8,265,932	$5,248,478

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2015 was $133 for most participants, but could go as high as $594 per month depending on their income. SERS' reimbursement for retirees was $45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2015, the actuarial required allocation is 0.74 percent District's contributions for the years ended June 30, 2015, 2014, and 2013 were $6,550, $8,101, and $6,657, respectively; 79 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides 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 the fiscal year June 30, 2015, the minimum compensation level was established at $20,450. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the year ended June 30, 2015, 2014 and 2013, was $25,691, $19,481, and $19,085, respectively; 79 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

11. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $36,148, and $35,628 respectively; 100 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

12. COMPENSATED ABSENCES

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment up to an accumulation of 25 days. For the Treasurer, there is a cap of 40 days total accumulation of vacation time and is paid for all accumulated time upon retirement or resignation. For the Superintendent there is a cap of 60 vacation days total accumulation and he is paid for all accumulated time upon retirement for resignation. Only 260 day employees earn vacation time.

Administrators, policy, classified and certificated employees earn sick leave at the rate of one and one-fourth days per month. Classified employees may accumulate sick leave up to a maximum of 260 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 65 days. For teachers and the superintendent, sick leave may be accumulated up to a maximum of 300 days and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 75 days.

Teachers, administrators, and classified employees earn three personal leave days per year. From 1987-2013, teachers and non-teaching bargaining unit members accumulated unused personal leave for the purpose of severance pay only. Upon resignation (after 4 years of employment) or retirement, teaching bargaining unit members receive $100 and non-teaching bargaining unit members receive $70 for each accumulated day of personal leave upon retirement.

All employees hired prior to 2013 are grandfathered under this language. A new personal leave incentive became effective in the 2013-14 year. Teachers and non-teaching bargaining unit members receive a lump sum payment, of varying amounts based on the number of unused personal days, no later than the end of summer following each school year.

12. COMPENSATED ABSENCES (Continued)

B. Insurance Benefits

The District provides life insurance through Sun Life, dental insurance through Delta Dental and vision insurance through VSP to its employees. Medical and surgical benefits for most employees are provided through Anthem Blue Cross and Blue Shield with pharmaceutical benefits provided through CVS/Caremark. All of the insurance benefits are purchased through the Southwestern Ohio Educational Purchasing Council.

13. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a capital lease for copiers totaling $45,931. The lease met the criteria of a capital lease as defined by Governmental Accounting Standards Board (GASB) Statement No. 62, 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 governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2015 totaled $10,172 and interest payments of $1,216.

The following is a schedule of the lease payments required under the capital leases as of June 30, 2015:

	Capital Leases Payable		
Fiscal Year Ending June 30,	Principal	Interest	Total
2016	$8,236	$305	$8,541

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2015, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	Restated Balance at 6/30/14	Additions	Deductions	Balance at 6/30/15	Due Within One Year
Permanent Improvement Bonds 2002 Variable Rate	$45,000	$0	$45,000	$0	$0
Accretion on Capital Appreciation Bonds	125,000	0	125,000	0	0
Refunding Permanent Improvement Bonds 2012 Variable Rate	2,859,999	0	50,000	2,809,999	215,000
Accretion on Capital Appreciation Bonds	65,166	30,462	0	95,628	0
Premium	249,656	0	17,832	231,824	0
Energy Conservation Notes Payable	531,400	0	75,900	455,500	75,900
Capital Leases	18,408	0	10,172	8,236	8,236
Compensated Absences Payable	567,904	157,878	120,482	605,300	112,206
Net Pension Liability					
SERS	2,086,868	0	310,831	1,776,037	0
STRS	9,846,324	0	1,580,392	8,265,932	0
Total	$16,395,725	$188,340	$2,335,609	$14,248,456	$411,342

14. LONG-TERM OBLIGATIONS – (Continued)

A. Permanent Improvement Bonds

On June 26, 2002, the District issued $4,420,000 in permanent improvement bonds for the purpose of improvements, renovations and additions to school facilities. The bonds were issued for a 25-year period with final maturity during fiscal year 2028. The bonds will be paid from the Bond Retirement Debt Service Fund. The bonds were partial refunding through the fiscal year 2012 issuance.

Capital appreciation bonds were issued at $85,000. The capital appreciation bonds matured in fiscal year 2014 and 2015 and will bear interest compounded semiannually on June 1 and December 1 of each year and began in fiscal year 2002. The maturity amount of the capital appreciation bonds is $340,000. For fiscal year 2015, the capital appreciation bonds were retired during the year.

B. School Improvement Refunding Bonds

On August 10, 2011, the District issued $2,959,999 in school improvement refunding bonds for the purpose of partially refunding the 2002 permanent improvement bonds. The bonds were issued for a 17-year period with final maturity during fiscal year 2028. The bonds will be paid from the Bond Retirement Debt Service Fund.

Capital appreciation bonds were issued at $94,999. The capital appreciation bonds mature in fiscal year 2020 and 2021 and will bear interest compounded semiannually on June 1 and December 1 of each year and began in fiscal year 2012. The maturity amount of the capital appreciation bonds is $465,000. For fiscal year 2015, the capital appreciation bonds were accreted $30,462.

Principal and interest requirements to retire the permanent improvement bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$215,000	$90,900	$305,900
2017	220,000	86,550	306,550
2018	225,000	81,538	306,538
2019	225,000	75,350	300,350
2020	52,309	254,666	306,975
2021-2025	1,027,690	472,747	1,500,437
2026-2028	845,000	51,700	896,700
Total	$2,809,999	$1,113,451	$3,923,450

14. LONG-TERM OBLIGATIONS – (Continued)

C. Energy Conservation Notes

During 2011, the District issued $835,000 in energy conservation notes under the Qualified School Construction Bond program that will rebate just under one hundred percent of the interest costs from the Federal government. The notes were issue for a twelve year period with a final maturity of March 1, 2021. The notes will be retired from the general fund and used for updating various lighting and other electrical items throughout the school.

Principal requirements to retire the energy conservation notes outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal
2016	$75,900
2017	75,900
2018	75,900
2019	75,900
2020	75,900
2021	76,000
Total	$455,500

Capital leases will be paid from the General Fund. The compensated absences will be paid from the funds from which the employees' salaries are paid.

The District's voted legal debt margin of $9,024,581, energy conservation debt margin of $708,213 with an unvoted debt margin of $129,301 at June 30, 2015.

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2014	$0
Current Year Set-aside Requirement	124,414
Offset for permanent improvement levy	(150,912)
Qualifying Disbursements	(101,518)
Total	($128,016)

Although the District had qualifying disbursements during the year that reduced the capital acquisition to below zero; however, the amount is not carried forward to the next fiscal year.

16. INTERFUND TRANSACTIONS

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	$4,422	$0	$0	$8,968
Non-Major Special Revenue	0	4,422	8,968	0
Total All Funds	$4,422	$4,422	$8,968	$8,968

The interfund payables from the General Fund to the nonmajor funds relate to short term advances to the food service fund that will be repaid in the following year when those reimbursements are received. The transfer from the General Fund to the District Managed Activities fund was to cover general athletic costs.

17. FUND BALANCE ALLOCATION

The District has chosen to present to the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outlined below:

Fund Balances:	General	Bond Retirement	Non-Major Funds
Nonspendable:			
Inventory	$0	$0	$4,027
Restricted for:			
Debt Service	0	197,453	0
Capital Improvements	0	0	135,141
Contributor restrictions	0	0	1,217
District Activities	0	0	44,723
State and Federal Grants	0	0	2,849
Assigned to:			
Encumbrances	1,150	0	0
Public School Support	54,237	0	0
Budgeted Appropriation	1,237,085	0	0
Unassigned	2,192,584	0	(12,611)
Total Fund Balances	$3,485,056	$197,453	$175,346

The assigned balance for public school support comes from funds the Treasurer places in a separate fund derived from various receipts at the different schools. The Treasurer also encumbers certain funds for future payment.

18. JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Educational Computer Association (MVECA)

The District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Beavercreek, Xenia and Hillsboro. 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.

18. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The District paid MVECA $21,550 for services provided during the year. Financial information can be obtained from Thor Sage, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund and Federal Title Funds. During fiscal year 2015, the Yellow Springs Exempted Village School District paid $543 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Drive, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association (SOITA)

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from within the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2015, the Yellow Springs Exempted Village School District paid $0 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, Interim Director, 1205 East Fifth Street, Dayton, Ohio 45402.

18. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

D. Greene County Career Center

The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Eva Anderson, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385.

E. Miami Valley Special Education Regional Resource Center

The Miami Valley Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives 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 SERRC is governed by a board of 38 members made up of the 38 superintendents, 6 parent mentors, 12 special education directors, and one university. Some entities have more than one voting delegate. Financial information can be obtained from Christopher Fox, at the Montgomery County Educational Service Center, 200 S Keowee Street, Dayton, Ohio 45402.

19. GROUP PURCHASING POOLS

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or Treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

20. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	$4,570,426
Adjustments:	
Net Pension Liability	(11,933,192)
Deferred Outflow - Payments Subsequent to Measurement Date	670,153
Restated Net Position June 30, 2014	($6,692,613)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

21. FUND DEFICITS

At June 30, 2015, the following funds had a deficit fund balance:

Funds	Amounts
Food Service	$ 12,501
Title VI-B Grants	110

The deficits in the funds were due to timing of grant reimbursement at year end and gaap adjustments. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

22. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

The District is currently involved in litigation with the District as defendant although the impact on the financial statements can not be determined by June 30, 2015.

22. CONTINGENCIES (Continued)

C. School Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end.

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Yellow Springs Exempted Village School District (the "District")
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
The District's Proportion of the Net Pension Liability	0.035093%	0.035093%
The District's Proportion Share of the Net Pension Liability	1,776,037	2,086,868
The District's Covered-Employee Payroll	1,147,973	989,328
The District's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	154.71%	210.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

Yellow Springs Exempted Village School District (the "District")
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
The District's Proportion of the Net Pension Liability	0.03398337%	0.03398337%
The District's Proportion Share of the Net Pension Liability	8,265,932	9,846,324
The District's Covered-Employee Payroll	3,875,477	3,562,769
The District's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	213.29%	276.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

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Yellow Springs Exempted Village School District (the "District")
Required Supplementary Information
Schedule of District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013
Contractually Required Contributions	$ 170,666	$ 159,109	$ 136,923
Contributions in Relation to the Contractually Required Contribution	(170,666)	(159,109)	(136,923)
Contribution Deficiency (Excess)	$ -	$ -	$ -
The District Covered-Employee Payroll	$ 1,294,886	$ 1,147,973	$ 989,328
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007	2006
$ 146,636	$ 189,493	$ 174,931	$ 165,516	$ 116,569	$ 121,663	$ 113,548
(146,636)	(189,493)	(174,931)	(165,516)	(116,569)	(121,663)	(113,548)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 1,090,230	$ 1,507,502	$ 1,291,957	$ 1,682,073	$ 1,187,057	$ 1,139,167	$ 1,073,233
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Yellow Springs Exempted Village School District (the "District")
Required Supplementary Information
Schedule of District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013
Contractually Required Contributions	$ 504,792	$ 503,812	$ 463,160
Contributions in Relation to the Contractually Required Contribution	(504,792)	(503,812)	(463,160)
Contribution Deficiency (Excess)	$ -	$ -	$ -
The District Covered-Employee Payroll	$ 3,605,657	$ 3,875,477	$ 3,562,769
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007	2006
$ 472,547	$ 539,860	$ 529,272	$ 503,964	$ 478,344	$ 480,641	$ 469,016
(472,547)	(539,860)	(529,272)	(503,964)	(478,344)	(480,641)	(469,016)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 3,634,977	$ 4,152,769	$ 4,071,323	$ 3,876,646	$ 3,679,569	$ 3,697,238	$ 3,607,815
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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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*

Yellow Springs Exempted Village School District
Greene County
201 S. Walnut Street
Yellow Springs, Ohio 45387

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 Yellow Springs Exempted Village School District, Greene County, (the District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 17, 2017, wherein we noted that the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

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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.

Dave Yost
Auditor of State
Columbus, Ohio

July 17, 2017

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT

GREENE 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
JULY 25, 2017