

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

As management of the Adams County/Ohio Valley School District, we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the financial statements to enhance their understanding of the District's performance.

This discussion and analysis of Adams County/Ohio Valley School District's financial performance is intended to serve as an introduction to the District's basic financial statements, and provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The Adams County/Ohio Valley School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999.

Financial Highlights

- The assets and deferred outflows of resources of the Adams County/Ohio Valley School District exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$42,041,906. Net investment in capital assets and net position restricted for specific purposes totaled \$72,044,631, leaving a balance in unrestricted net position of \$(30,002,725).
- Net position of governmental activities increased which represents a 17% increase from 2014.
- General revenues accounted for \$37,644,428 or 74% of all revenues. Program specific revenues in the form of charges for services and sales and operating and capital grants and contributions accounted for \$13,062,976 or 26% of total revenues of \$50,707,404.
- The District had \$44,745,724 in expenses related to governmental activities; only \$13,062,976 of these expenses were offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand Adams County/Ohio Valley School District as a whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's major funds, with all other nonmajor funds presented in total in one column.

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The major funds for the Adams County/Ohio Valley School District are the General Fund and the Debt Service Fund.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statements of Activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net a position and changes in those assets. The change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

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

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Fiduciary Funds - The District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. An agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

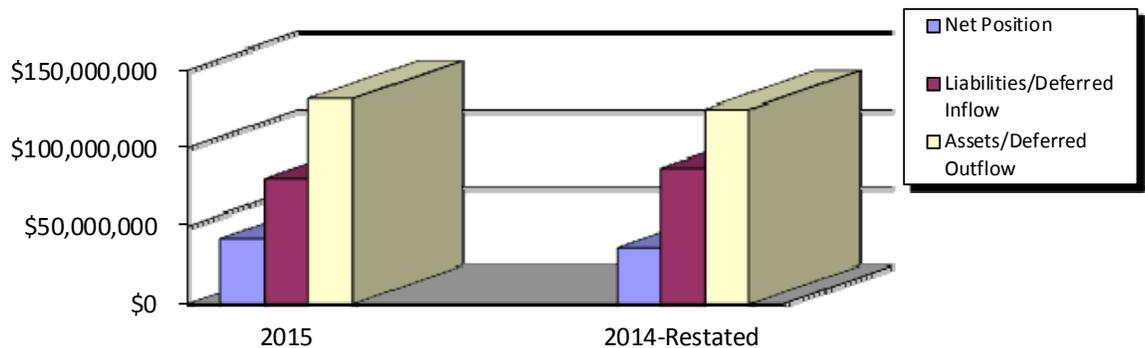
Table 1 provides a summary of the District's net position for fiscal years 2015 and 2014:

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Table 1
Net Position

	Governmental Activities	
	2015	2014-Restated
Assets:		
Current and Other Assets	\$40,615,644	\$33,589,803
Capital Assets	90,867,112	91,433,292
Total Assets	131,482,756	125,023,095
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	2,129,071	1,587,582
	3,373,039	2,764,550
Total Deferred Outflows of Resources	5,502,110	4,352,132
Liabilities:		
Other Liabilities	4,000,572	3,819,523
Long-Term Liabilities	76,585,671	83,442,929
Total Liabilities	80,586,243	87,262,452
Deferred Inflows of Resources:		
Property Taxes	6,374,263	6,032,549
Pension	7,982,454	0
Total Deferred Inflows of Resources	14,356,717	6,032,549
Net Position:		
Net Investment in Capital Assets	62,314,963	63,422,121
Restricted	9,729,668	9,170,929
Unrestricted	(30,002,725)	(36,512,824)
Total Net Position	\$42,041,906	\$36,080,226



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

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

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

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

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

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

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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 \$85,624,748 to \$36,080,226.

Net position increased by \$5,961,680 because total assets and deferred outflows increased by \$7,609,642 due to an increase in cash and total liabilities and deferred inflows decreased by \$1,647,959 due to decrease in long-term liabilities.

Table 2 shows the highlights of the District's revenues and expenses. These two main components are subtracted to yield the change in net position. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted operating grants and contributions and capital grants and contributions. General Revenues include taxes and unrestricted grants, such as State foundation support, gifts and donations, investment earnings and miscellaneous.

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Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014-Restated
Revenues:		
Program Revenues		
Charges for Services and Sales	\$2,304,367	\$2,114,370
Operating Grants and Contributions	10,758,609	10,588,123
Capital Grants and Contributions	0	0
General Revenues		
Property Taxes	9,851,895	9,753,805
Grants and Entitlements not Restricted to Specific Programs	27,327,841	25,070,319
Other	464,692	344,489
Total Revenues	<u>50,707,404</u>	<u>47,871,106</u>
Program Expenses		
Instruction	28,306,498	27,681,785
Support Services:		
Pupil and Instructional Staff	2,421,126	2,447,916
School Administrative, General		
Administration, Fiscal and Business	4,172,603	3,993,179
Operations and Maintenance	3,052,513	2,992,846
Pupil Transportation	2,997,603	3,024,782
Central	167,525	190,851
Operation of Non-Instructional Services	2,107,395	1,987,128
Extracurricular Activities	570,394	553,355
Interest and Fiscal Charges	807,682	1,159,769
Bond Issuance Cost	142,385	0
Total Program Expenses	<u>44,745,724</u>	<u>44,031,611</u>
Change in Net Position	5,961,680	3,839,495
Net Position - Beginning of Year, Restated	<u>36,080,226</u>	N/A
Net Position - End of Year	<u>\$42,041,906</u>	<u>\$36,080,226</u>

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$2,764,550 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$2,137,572. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

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Total 2015 program expenses under GASB 68	\$44,745,724
Program expenses under GASB 68	(2,137,572)
2015 contractually required contributions	<u>2,957,136</u>
Adjusted 2015 program expenses	45,565,288
Total 2014 program expenses under GASB 27	44,031,611
Increase in program expenses not related to pension	<u>\$1,533,677</u>

Grants and entitlements not restricted to specific programs made up 54% of total revenues of the Adams County/Ohio Valley School District for fiscal year 2015, while Property Taxes made up 19%.

Instruction comprises 63% of governmental program expenses. Support services expenses comprise of 29% of governmental expenses. All other expenses make up 8% of governmental expenses. The District had an increase in instructional expenses when compared to 2014.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions and interest offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$28,306,498	\$27,681,785	(\$18,069,382)	(\$17,827,820)
Support Services:				
Pupil and Instructional Staff	2,421,126	2,447,916	(2,380,357)	(2,309,567)
School Administrative, General				
Administration, Fiscal and Business	4,172,603	3,993,179	(4,031,016)	(3,746,088)
Operations and Maintenance	3,052,513	2,992,846	(2,823,379)	(2,756,794)
Pupil Transportation	2,997,603	3,024,782	(2,897,868)	(2,961,703)
Central	167,525	190,851	(167,525)	(190,851)
Operation of Non-Instructional Services	2,107,395	1,987,128	37,929	(40,032)
Extracurricular Activities	570,394	553,355	(401,083)	(336,494)
Interest and Fiscal Charges	807,682	1,159,769	(807,682)	(1,159,769)
Bond Issuance Cost	<u>142,385</u>	<u>0</u>	<u>(142,385)</u>	<u>0</u>
Total Expenses	<u>\$44,745,724</u>	<u>\$44,031,611</u>	<u>(\$31,682,748)</u>	<u>(\$31,329,118)</u>

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The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprised \$31,184,047 (76%) of the total \$40,847,624 governmental funds' assets.

General Fund: Fund balance at June 30, 2015 was \$16,252,161 an increase in fund balance of \$4,869,369 from 2014. The primary reason for the increase in fund balance was due to the increase in property taxes and intergovernmental revenue (grant monies received) in 2015 compared to 2014.

Debt Service Fund: Fund balance at June 30, 2015 was \$4,551,632 an increase in fund balance of \$443,102 from 2014. The primary reason for the increase in fund balance was due to an increase in other financing services.

General Fund - Budget Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2015, the District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$41,706,433 with original budget estimates of \$39,756,382; the difference was mainly due to underestimates in taxes revenue and intergovernmental revenue. The original budget estimates for expenditures for the District increased when it is compared to the actual expenditures due to over estimates made by the District. The final budget estimated expenditures were \$36,715,241 while the actual expenditures for the District were \$35,074,874, a difference of eight percent.

The District's ending unobligated cash balance of \$17,508,499 was \$795,233 above the final budgeted amount in the General Fund.

Capital Assets and Debt Administration

Capital Assets

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2015 was \$90,867,112. This investment in capital assets includes land, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$1,063,713	\$1,063,713
Land Improvements	9,676	9,874
Buildings and Improvements	88,537,632	88,852,054
Furniture, Fixtures, and Equipment	453,997	486,045
Vehicles	802,094	1,021,606
Totals	<u>\$90,867,112</u>	<u>\$91,433,292</u>

Capital Assets decreased as a result of additions being less than depreciation expense. For more information on capital assets, refer to note 7 of the basic financial statements.

Debt

At June 30, 2015, the District had \$31,105,219 in outstanding debt, \$2,419,784 due within one year. Table 5 summarizes the District's outstanding debt:

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
School Improvement Bonds, 1995	\$1,301,282	\$2,521,232
2012 Refunding of 1995 School Improvement Bonds	8,020,000	8,125,000
2012 Capital Appreciation Bonds - Principal Only	980,058	980,058
2012 Capital Appreciation Bonds - Accreted Interest	286,337	190,534
Premium on 2012 Refunding	216,915	250,282
School Improvement Bonds, 2007	1,090,000	7,900,000
Premium	0	197,827
2013 Refunding of 2007 School Improvement Bonds	7,785,000	7,970,000
2013 Capital Appreciation Bonds - Principal Only	24,984	24,984
2013 Capital Appreciation Bonds - Accreted Interest	137,414	43,241
Premium on 2013 Refunding	1,545,812	1,629,370
HB264 Bonds, Series 2014	2,631,695	0
2015 Refunding of 2007 School Improvement Bonds	6,340,000	0
2015 Capital Appreciations Bonds - Principal Only	5,000	0
2015 Capital Appreciation Bonds - Accreted Interest	248	0
Premium on 2015 Refunding of School Improvement Bonds	740,474	0
Totals	<u>\$31,105,219</u>	<u>\$29,832,528</u>

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The District's debt increased by \$1,272,691 because of new debt. For more information on outstanding debt, refer to note 12 of the basic financial statements.

For the Future

In June 2011, the Ohio's Governor signed HB 153, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The previous funding mechanism, Ohio Evidence-Based Model (OEBM), which was introduced in July 2009, has been eliminated and a "bridge" formula was created for the 2011-2012 school year. The Governor's Office was unable to provide a funding formula for the 2012-2013 school year as previously hoped and have subsequently decided to continue funding schools on the "bridge" formula. Legislators are continuing to meet and discuss a new funding formula; however, at this time all school districts within the State of Ohio do not know what funding mechanism will be used beyond fiscal year 2013. This continued uncertainty could have a major impact on our instructional and operational programs.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for all of our students as well as provide a secure financial future.

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 any questions about this report or need additional information, contact Tina K. Hageman, Treasurer, Adams County/Ohio Valley School District, 141 Lloyd Road, West Union, OH 45693.

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Adams County/Ohio Valley School District, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$30,060,603
Restricted Cash and Investments	2,254
Receivables (Net):	
Taxes	9,206,876
Accounts	13,031
Interest	15,947
Intergovernmental	1,235,730
Inventory	81,203
Nondepreciable Capital Assets	1,063,713
Depreciable Capital Assets, Net	<u>89,803,399</u>
 Total Assets	 <u>131,482,756</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	2,129,071
	<u>3,373,039</u>
 Total Deferred Outflows of Resources	 <u>5,502,110</u>
Liabilities:	
Accounts Payable	37,771
Accrued Wages and Benefits	3,729,482
Contracts Payable	154,113
Accrued Interest Payable	79,206
Long-Term Liabilities:	
Due Within One Year	2,708,611
Due In More Than One Year:	
Net Pension Liability	44,115,543
Other Amounts	<u>29,761,517</u>
 Total Liabilities	 <u>80,586,243</u>
Deferred Inflows of Resources:	
Property Taxes	6,374,263
Pension	<u>7,982,454</u>
 Total Deferred Inflows of Resources	 <u>14,356,717</u>
Net Position:	
Net Investment in Capital Assets	62,314,963
Restricted for:	
Local Grants	33,875
Debt Service	4,710,482
Capital Projects	1,983,577
Food Service	1,117,584
Classroom Facilities Maintenance	1,300,007
Federal Grants	525,181
Other Purposes	58,962
Unrestricted	<u>(30,002,725)</u>
 Total Net Position	 <u><u>\$42,041,906</u></u>

See accompanying notes to the basic financial statements.

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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	\$16,652,677	\$908,263	\$2,056,009	(\$13,688,405)
Special	8,528,972	226,374	5,751,103	(2,551,495)
Vocational	2,287,567	524,258	726,988	(1,036,321)
Adult/Continuing	251,344	0	0	(251,344)
Other	585,938	44,121	0	(541,817)
Support Services:				
Pupil	1,569,481	481	0	(1,569,000)
Instructional Staff	851,645	99	40,189	(811,357)
General Administration	113,318	0	0	(113,318)
School Administration	3,145,267	33	138,567	(3,006,667)
Fiscal	860,398	0	2,987	(857,411)
Business	53,620	0	0	(53,620)
Operations and Maintenance	3,052,513	21,923	207,211	(2,823,379)
Pupil Transportation	2,997,603	0	99,735	(2,897,868)
Central	167,525	0	0	(167,525)
Operation of Non-Instructional Services	2,107,395	409,504	1,735,820	37,929
Extracurricular Activities	570,394	169,311	0	(401,083)
Interest and Fiscal Charges	807,682	0	0	(807,682)
Bond Issuance Cost	142,385	0	0	(142,385)
Totals	\$44,745,724	\$2,304,367	\$10,758,609	(31,682,748)

General Revenues:

Property Taxes Levied for:

General Purposes	7,074,111
Special Revenue Purposes	139,069
Debt Service Purposes	2,472,986
Capital Projects Purposes	165,729
Grants and Entitlements, Not Restricted	27,327,841
Unrestricted Contributions	26,522
Investment Earnings	84,932
Other Revenues	353,238

Total General Revenues 37,644,428

Change in Net Position 5,961,680

Net Position - Beginning of Year, Restated 36,080,226

Net Position - End of Year \$42,041,906

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
 Balance Sheet
 Governmental Funds
 June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$17,949,354	\$4,058,809	\$8,052,440	\$30,060,603
Restricted Cash and Investments	2,254	0	0	2,254
Receivables (Net):				
Taxes	6,728,533	2,188,742	289,601	9,206,876
Accounts	8,428	0	4,603	13,031
Interest	15,947	0	0	15,947
Intergovernmental	0	0	1,235,730	1,235,730
Interfund	231,980	0	0	231,980
Inventory	0	0	81,203	81,203
Total Assets	24,936,496	6,247,551	9,663,577	40,847,624
Liabilities:				
Accounts Payable	20,905	0	16,866	37,771
Accrued Wages and Benefits	3,200,512	0	528,970	3,729,482
Compensated Absences	111,610	0	0	111,610
Contracts Payable	0	0	154,113	154,113
Interfund Payable	0	0	231,980	231,980
Total Liabilities	3,333,027	0	931,929	4,264,956
Deferred Inflows of Resources:				
Property Taxes	5,344,198	1,695,919	228,967	7,269,084
Grants and Other Taxes	0	0	829,746	829,746
Investment Earnings	7,110	0	0	7,110
Total Deferred Inflows of Resources	5,351,308	1,695,919	1,058,713	8,105,940
Fund Balances:				
Nonspendable	2,254	0	0	2,254
Restricted	0	4,551,632	4,469,702	9,021,334
Committed	124	0	3,456,235	3,456,359
Assigned	267,834	0	0	267,834
Unassigned	15,981,949	0	(253,002)	15,728,947
Total Fund Balances	16,252,161	4,551,632	7,672,935	28,476,728
Total Liabilities, Deferred Inflows and Fund Balances	\$24,936,496	\$6,247,551	\$9,663,577	\$40,847,624

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balance \$28,476,728

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

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

Capital assets used in the operation of Governmental Funds 90,867,112

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	894,821	
Interest	7,110	
Intergovernmental	<u>829,746</u>	
		1,731,677

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (79,206)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (1,253,299)

Deferred outflows of resources associated with long-term liabilities
 are not reported in the funds. 2,129,071

Deferred outflows and inflows or resources related to pensions
 are applicable to future periods and, therefore, are not
 reported in the funds.

Deferred outflows of resources related to pensions	3,373,039	
Deferred inflows of resources related to pensions	<u>(7,982,454)</u>	
		(4,609,415)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

Net Pension Liability	(44,115,543)	
Other Amounts	<u>(31,105,219)</u>	
		<u>(75,220,762)</u>

Net Position of Governmental Activities \$42,041,906

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$7,047,732	\$2,481,948	\$303,897	\$9,833,577
Tuition and Fees	1,563,528	0	0	1,563,528
Investment Earnings	81,953	0	858	82,811
Intergovernmental	31,921,041	831,643	5,238,486	37,991,170
Extracurricular Activities	75,075	0	181,744	256,819
Charges for Services	64,765	0	405,963	470,728
Other Revenues	328,279	18,442	46,335	393,056
Total Revenues	41,082,373	3,332,033	6,177,283	50,591,689
Expenditures:				
Current:				
Instruction:				
Regular	15,424,924	0	184,815	15,609,739
Special	5,536,652	0	2,823,265	8,359,917
Vocational	2,010,250	0	124,433	2,134,683
Adult/Continuing	251,344	0	0	251,344
Other	585,938	0	0	585,938
Support Services:				
Pupil	1,526,354	0	1,598	1,527,952
Instructional Staff	613,078	0	44,761	657,839
General Administration	114,062	0	0	114,062
School Administration	2,937,222	0	131,812	3,069,034
Fiscal	794,124	85,907	10,320	890,351
Business	45,278	0	0	45,278
Operations and Maintenance	2,619,761	0	311,659	2,931,420
Pupil Transportation	2,441,837	0	0	2,441,837
Central	166,313	0	0	166,313
Operation of Non-Instructional Services	1,390	0	2,061,826	2,063,216
Extracurricular Activities	420,242	0	150,056	570,298
Capital Outlay	17,677	0	2,612,659	2,630,336
Debt Service:				
Principal Retirement	0	2,009,950	0	2,009,950
Interest and Fiscal Charges	0	843,464	0	843,464
Bond Issuance Cost	0	142,385	0	142,385
Total Expenditures	35,506,446	3,081,706	8,457,204	47,045,356
Excess of Revenues Over (Under) Expenditures	5,575,927	250,327	(2,279,921)	3,546,333
Other Financing Sources (Uses):				
Issuance of Long-Term Capital-Related Debt	0	0	2,631,695	2,631,695
Issuance of Refunded Bonds	0	6,345,000	0	6,345,000
Payments to Bond Escrow Account	0	(6,943,089)	0	(6,943,089)
Premium on Bonds Sold	0	740,474	0	740,474
Transfers In	0	50,390	681,373	731,763
Transfers (Out)	(706,558)	0	(25,205)	(731,763)
Total Other Financing Sources (Uses)	(706,558)	192,775	3,287,863	2,774,080
Net Change in Fund Balance	4,869,369	443,102	1,007,942	6,320,413
Fund Balance - Beginning of Year	11,382,792	4,108,530	6,664,993	22,156,315
Fund Balance - End of Year	\$16,252,161	\$4,551,632	\$7,672,935	\$28,476,728

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds		\$6,320,413
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.</p>		
Capital assets used in governmental activities	2,421,743	
Depreciation Expense	<u>(2,987,923)</u>	(566,180)
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions	2,957,136	
Cost of benefits earned net of employee contributions	<u>(2,137,572)</u>	819,564
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Delinquent Property Taxes	12,548	
Interest	2,119	
Intergovernmental	<u>101,048</u>	115,715
<p>In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.</p>		
Premium on Bonds Issued	(740,474)	
Deferred Amount on Refunding	633,089	
Refunding Bonds	(6,345,000)	
Bonds Advance Refunded	<u>6,507,827</u>	55,442
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		2,009,950
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		2,854
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences	516	
Amortization of Bond Premium	116,925	
Amortization of Deferred Charge on Refunding	(91,600)	
Bond Accretion	<u>(190,224)</u>	(164,383)
<p>Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.</p>		
		<u>(2,631,695)</u>
Change in Net Position of Governmental Activities		<u>\$5,961,680</u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,715,499	\$7,044,895	\$6,885,455	(\$159,440)
Tuition and Fees	1,512,895	1,587,102	1,551,183	(35,919)
Investment Earnings	74,471	78,124	76,356	(1,768)
Intergovernmental	31,195,041	32,725,158	31,984,524	(740,634)
Other Revenues	258,476	271,154	265,017	(6,137)
Total Revenues	39,756,382	41,706,433	40,762,535	(943,898)
Expenditures:				
Current:				
Instruction:				
Regular	15,441,614	16,008,853	15,294,750	714,103
Special	5,486,951	5,688,511	5,434,765	253,746
Vocational	1,963,924	2,036,067	1,945,245	90,822
Adult/Continuing	253,757	265,821	251,344	14,477
Other	611,945	634,425	606,125	28,300
Support Services:				
Pupil	1,513,210	1,568,797	1,498,818	69,979
Instructional Staff	618,117	640,823	612,238	28,585
General Administration	115,850	120,106	114,748	5,358
School Administration	2,859,361	2,964,398	2,832,166	132,232
Fiscal	810,894	840,682	803,182	37,500
Business	46,553	48,263	46,110	2,153
Operations and Maintenance	2,695,090	2,794,092	2,669,457	124,635
Pupil Transportation	2,505,919	2,597,972	2,482,085	115,887
Central	177,077	183,582	175,393	8,189
Operation of Non-Instructional Services	302	313	299	14
Extracurricular Activities	293,261	304,034	290,472	13,562
Capital Outlay	17,847	18,502	17,677	825
Total Expenditures	35,411,672	36,715,241	35,074,874	1,640,367
Excess of Revenues Over (Under) Expenditures	4,344,710	4,991,192	5,687,661	696,469
Other Financing Sources (Uses):				
Advances In	167,793	176,023	172,039	(3,984)
Advances (Out)	(226,025)	(234,328)	(223,875)	10,453
Transfers In	2,170,460	2,276,921	2,225,390	(51,531)
Transfers (Out)	(3,110,055)	(3,224,301)	(3,080,475)	143,826
Total Other Financing Sources (Uses)	(997,827)	(1,005,685)	(906,921)	98,764
Net Change in Fund Balance	3,346,883	3,985,507	4,780,740	795,233
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	12,727,759	12,727,759	12,727,759	0
Fund Balance - End of Year	\$16,074,642	\$16,713,266	\$17,508,499	\$795,233

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$63,475	\$295,960
Total Assets	<u>63,475</u>	<u>295,960</u>
Liabilities:		
Intergovernmental Payable	0	295,960
Total Liabilities	<u>0</u>	<u>\$295,960</u>
Net Position:		
Held in Trust	<u>63,475</u>	
Total Net Position	<u>\$63,475</u>	

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Donations	\$7,000
Investment Earnings	18
Total Additions	<u>7,018</u>
Deductions:	
Other	<u>6,321</u>
Total Deductions	<u>6,321</u>
Change in Net Position	697
Net Position - Beginning of Year	<u>62,778</u>
Net Position - End of Year	<u><u>\$63,475</u></u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Description of the School District and Reporting Entity

Adams County/Ohio Valley School District (the "District") is organized under Article IV, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and federal guidelines.

The Adams County/Ohio Valley School District serves an area of approximately 489 square miles, with 99 percent of its territory located in Adams County and the remaining one percent in Highland County. Political subdivisions included in the District are the Villages of West Union, Peebles, Winchester, Sinking Spring, Cherry Fork, and Seaman, the thirteen townships of Adams County and the southern half of Brush Creek Township in Highland County. The District is staffed by 183 non-certified employees and 235 certified employees as well as 36 administrative employees who provide services to 3,976 students and other community members. The District operates seven instructional buildings, one administrative building, one bus garage and a supply warehouse.

Reporting Entity:

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

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

The following activities are included within the reporting entity:

Non-Public Schools - The Adams County Christian School is operated within the District boundaries. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District, as directed by the non-public school. This activity is reflected in a special revenue fund and as part of governmental activities for financial reporting purposes.

The District participates in three jointly governed organizations, one insurance purchasing pool and a related organization. These organizations are the South Central Ohio Computer Association Council of Governments (SCOCA COG), the Hopewell Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Council and the Ohio School Plan for property and fleet liability coverage. Information about these organizations is presented in Note 14 to the basic financial statements.

Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Adams County/Ohio Valley School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

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.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or 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 contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust is reported using the economic resources measurement focus.

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

to certain District function or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds of the District fall within two categories: governmental and fiduciary.

Governmental Funds

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and agency funds. The private purpose trust fund accounts for college scholarship programs for students. The District's agency funds account for those student activities which consist of a student body, student president, student treasurer and faculty advisor, and the receipt and remittance of Manchester Local School District's portion of the debt assumed by that District upon deconsolidation in fiscal year 2004.

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 also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants, other taxes (which includes tax incremental financing 'TIF'), and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Budgetary Process

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

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

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

Equity in Pooled Cash and Investments

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

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-negotiable certificates of deposit are reported at cost. For investments in money market mutual funds, the fair value is determined by the fund's current share price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$81,953 and \$858 in Other Governmental Funds.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of purchased and donated food held for resale and consumable supplies.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. 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, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	50 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	10 - 15 years
Vehicles	20 years

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Position.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

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.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The unmatured portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of the other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies.

Fund Balance

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact (unclaimed monies).

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Bond Premiums

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the debt is issued.

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.

Net Position

Net position represents the difference between assets and deferred inflows of resources, and liabilities and deferred outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for music and athletic programs and student activities, and federal and State grants restricted to expenditures for specified purposes.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
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The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The government-wide Statement of Net Position reports \$9,729,668 of restricted net position, none of which are restricted by enabling legislation.

Note 3 - Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the 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 and Actual (Non-GAAP Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$4,869,369
Revenue Accruals	(319,838)
Expenditure Accruals	623,685
Transfers In	2,225,390
Transfers Out	(2,373,917)
Advances In	172,039
Advances Out	(223,875)
Encumbrances	<u>(192,113)</u>
Budget Basis	<u><u>\$4,780,740</u></u>

Note 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

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 fiscal year-end, \$17,591,966 of the District’s bank balance of \$18,845,709 was exposed to custodial credit risk because it was uninsured. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no policy for custodial credit 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, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Home Loan Bank	\$249,978	4.62
Negotiable CDs	9,988,780	2.15
Money Market Funds	1,668,021	0.00
Total Fair Value	<u>\$11,906,779</u>	
Portfolio Weighted Average Maturity		1.90

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.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Credit Risk

The Money Market Funds and Federal Home Loan Bank carry ratings of Aaa by Moody's. The District has no investment policy that addresses credit risk. Negotiable CD's were 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 Money Market Funds 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.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. Of the District's total investments, 14% is invested in Money Market Funds, 2% in Federal Home Loan Bank, and 84% in Negotiable CD's.

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Hamilton County. The County Auditor 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 2016 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflow of resources for that portion not intended to finance \$1,384,335 in the General Fund, \$492,873 in the Debt Service Fund and \$60,634 in Other Governmental.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The assessed values upon which the fiscal year 2015 taxes were collected are:

	<u>2014 First Half Collections</u>		<u>2013 Second Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$322,467,070	90.80%	\$287,666,180	90.16%
Public Utility	32,671,440	9.20%	31,380,820	9.84%
Total Assessed Value	<u>\$355,138,510</u>	<u>100.00%</u>	<u>\$319,047,000</u>	<u>100.00%</u>

Note 6 – Receivables

Receivables at June 30, 2015, consisted of property taxes, accounts (billings for user charged services and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental Receivables at June 30, 2015 were as follows:

Other Governmental Funds:	
Public Preschool	\$74,742
Alternative Schools	11,343
Race to the Top	16,003
IDEA-B	265,302
Carl Perkins	9,548
Title I	809,570
IDEA Preschool	1,210
Improving Teacher Quality	40,635
Miscellaneous Federal Grants	7,377
Total Other Governmental Funds	<u>1,235,730</u>
Total	<u>\$1,235,730</u>

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,063,713	\$0	\$0	\$1,063,713
Total Capital Assets, not being depreciated	1,063,713	0	0	1,063,713
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,842,575	0	0	2,842,575
Buildings and Improvements	112,128,373	2,378,678	0	114,507,051
Furniture, Fixtures and Equipment	1,863,306	20,565	0	1,883,871
Vehicles	4,355,451	22,500	59,718	4,318,233
<i>Total Capital Assets, being depreciated:</i>	121,189,705	2,421,743	59,718	123,551,730
Totals at Historical Cost	122,253,418	2,421,743	59,718	124,615,443
Less Accumulated Depreciation:				
Land Improvements	2,832,701	198	0	2,832,899
Buildings and Improvements	23,276,319	2,693,100	0	25,969,419
Furniture's, Fixtures and Equipment	1,377,261	52,613	0	1,429,874
Vehicles	3,333,845	242,012	59,718	3,516,139
Total Accumulated Depreciation	30,820,126	2,987,923	59,718	33,748,331
Governmental Activities Capital Assets, Net	\$91,433,292	(\$566,180)	\$0	\$90,867,112

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$1,314,355
Special		335,766
Vocational		128,556
Support Services:		
Pupil		80,283
Instructional Staff		208,985
School Administration		175,590
Fiscal		29,355
Business		8,349
Operations and Maintenance		166,658
Pupil Transportation		518,356
Central		4,309
Operation of Non-Instructional Services		12,514
Extracurricular Activities		4,847
Total Depreciation Expense		<u><u>\$2,987,923</u></u>

Note 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of June 30, 2015, the District obtained coverage through Ohio School Plan (Note 16) with the Hylant Group of Cincinnati, Ohio, serving as the agent. General liability coverage, educator's legal liability coverage, and auto liability and physical damage coverage are provided by Ohio School Plan and AIG Insurance. Property coverage is provided by Ohio School Plan. Boiler and machinery coverage is provided by Ohio School Plan as well as umbrella coverage which includes the following:

Property Coverage	(\$1,000 deductible)	\$300,000,000
Boiler and Machinery	(\$1,000 deductible)	50,000,000
Auto Liability/Physical Damage	(\$1,000 deductible)	6,000,000
General Liability	(\$0 deductible)	
Aggregate		\$3,000,000
Per Occurrence		1,000,000
Educator's Legal Liability	(\$2,500 deductible)	
Aggregate		\$8,000,000
Per Occurrence		6,000,000
Umbrella Coverage	(\$0 deductible)	
Aggregate		\$5,000,000
Per Occurrence		5,000,000

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 \$753,815 for fiscal year 2015. Of this amount \$135,407 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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 \$2,203,321 for fiscal year 2015. Of this amount \$365,048 is reported as accrued wages and benefits.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$7,889,049	\$36,226,494	\$44,115,543
Proportion of the Net Pension Liability	0.15588100%	0.14893643%	
Pension Expense	463,941	1,673,631	2,137,572

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$67,144	\$348,759	\$415,903
District contributions subsequent to the measurement date	<u>753,815</u>	<u>2,203,321</u>	<u>2,957,136</u>
Total Deferred Outflows of Resources	<u>\$820,959</u>	<u>\$2,552,080</u>	<u>\$3,373,039</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,280,415</u>	<u>\$6,702,039</u>	<u>\$7,982,454</u>

\$2,957,136 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:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$303,317)	(\$1,588,320)	(\$1,891,637)
2017	(303,318)	(1,588,320)	(1,891,638)
2018	(303,318)	(1,588,320)	(1,891,638)
2019	<u>(303,318)</u>	<u>(1,588,320)</u>	<u>(1,891,638)</u>
Total	<u>(\$1,213,271)</u>	<u>(\$6,353,280)</u>	<u>(\$7,566,551)</u>

Actuarial Assumptions - SERS

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

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

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

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

Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$11,255,328	\$7,889,049	\$5,057,717

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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

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

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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%)
District's proportionate share of the net pension liability	\$51,862,176	\$36,226,494	\$23,003,969

Note 10 - Post Employment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 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 2015, this amount was \$20,450. 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 2015, the District's surcharge obligation was \$72,589.

Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$116,741, \$87,903, and \$82,777, respectively. For fiscal year 2015, 82 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$160,013, and \$158,847 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 11 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from board approved contracts and State laws. Eligible classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Up to two years' accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for administrators. One third of each administrator's accumulated sick leave over 200 days shall be paid out at the end of each fiscal year. Classified personnel may accumulate up to a maximum of 200 days for usage purposes; however, for retirement purposes, they may accumulate up to a maximum of 260 days. Certified personnel may accumulate up to a maximum of 200 days for usages; however, for retirement purposes, they may accumulate an unlimited number of days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 50 days for administrators and 65 days for classified employees. The District offers a super-severance provision for employees who retire in their first year of eligibility. Under this policy, payment is made for one-half of the accumulated sick leave credit up to a maximum payment of 100 days.

Teachers, administrators, and classified personnel earn three days of personal leave per school year. Unused days are paid in July of each year, at the rate of \$115 per day for teachers and administrators. Classified personnel are paid at the rate of \$80 per day for unused days in July each year.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through MetLife. The District has elected to provide medical/surgical, dental and vision benefits through Anthem Blue Cross and Blue Shield. Effective with the 2013-2014 fiscal year, teachers and administrators agreed to contribute ten percent of the monthly premium on all plans with the Board of Education assuming the remaining expense. Effective with the 2013-2014 school year, all classified staff agreed to contribute seven percent of the monthly premium and the Board of Education will assume the remaining expense. In addition to these percentages, all employees of the district have agreed to share in any premium increases over five percent; the additional increase above the five percent will be equally split or shared between the Board of Education and the employees.

Perfect/Excellent Attendance Incentive

Bonus checks are issued to employees who have perfect or excellent attendance in any full work year (July 1- June 30).

Eleven and twelve month classified employees with perfect attendance receive a bonus of \$400. Nine and ten month classified employees with perfect attendance receive a bonus of \$300.

Teachers with perfect attendance receive a bonus of \$400.

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 12 - Long-Term Obligations

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	Restated Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:					
School Improvement Bonds					
1995 4.55% - 5.25%	\$2,521,232	\$0	\$1,219,950	\$1,301,282	\$1,301,282
2012 Refunding of 1995 School Improvement Bonds 1.15% - 4.00%	8,125,000	0	105,000	8,020,000	110,000
Principal	980,058	0	0	980,058	0
Accreted Interest	190,534	95,803	0	286,337	0
Premium on 2012 Refunding of School Improvement Bonds	250,282	0	33,367	216,915	0
School Improvement Bonds					
2007 4.00% - 5.00%	7,900,000	0	6,810,000	1,090,000	535,000
Premium	197,827	0	197,827	0	0
2013 Refunding of 2007 School Improvement Bonds	7,970,000	0	185,000	7,785,000	200,000
Principal	24,984	0	0	24,984	0
Accreted Interest	43,241	94,173	0	137,414	0
Premium on 2013 Refunding of School Improvement Bonds	1,629,370	0	83,558	1,545,812	0
HB264 Bonds, Series 2014	0	2,631,695	0	2,631,695	153,502
2015 Refunding of 2007 School Improvements Bonds	0	6,340,000	0	6,340,000	120,000
Principal	0	5,000	0	5,000	0
Accreted Interest	0	248	0	248	0
Premium on 2015 Refunding of School Improvement Bonds	0	740,474	0	740,474	0
Total Long-Term Bonds	29,832,528	9,907,393	8,634,702	31,105,219	2,419,784
Net Pension Liability:					
STRS	43,036,549	0	6,810,055	36,226,494	0
SERS	9,272,523	0	1,383,474	7,889,049	0
Total Net Pension Liability	52,309,072	0	8,193,529	44,115,543	0
Compensated Absences	1,301,329	273,631	210,051	1,364,909	288,827
Total Governmental Activities	\$83,442,929	\$10,181,024	\$17,038,282	\$76,585,671	\$2,708,611

School Improvement Bonds 1995 - On May 15, 1995, the District issued \$44,000,000 in voted general obligation bonds for the purpose of building new high schools and making improvements to existing buildings. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2021. Manchester Local School District assumed \$16,801,260 of the outstanding bond amount as of July 1, 2004. The bonds will be retired from the Debt Service Fund.

School Improvement Bonds 2007 - On February 15, 2007, the District issued \$18,670,000 in voted general obligation bonds for the purpose of retiring \$14,800,000 in bond anticipation notes that were issued on November 16, 2007, and for constructing new buildings and improving existing buildings. Of these bonds, \$6,570,000 are serial bonds and \$12,100,000 are term bonds. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2033. On February 27, 2013 the District partially refunded these bonds, see Note 13. The bonds will be retired from the Debt Service Fund.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The bonds due December 1, 2033 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029, at 100 percent of the principal amount, plus accrued interest, according to the following schedule:

Year	Amount
2029	\$985,000
2030	1,030,000
2031	1,175,000
2032	1,220,000
Total	<u>\$4,410,000</u>

Unless otherwise called for redemption, the remaining \$1,285,000 principal amount of these bonds is to be paid at stated maturity. The serial bonds with maturity dates on December 1, 2017 and thereafter are subject to optional redemption in whole or in part on any date in any order of maturity at the option of the issuer on or after June 1, 2017, at par plus accrued interest to the date of redemption. The bonds will be retired from the Debt Service Fund.

Compensated absences will be paid from the Termination Benefits Fund and Food Service Funds.

Principal requirements to retire general obligation debt at June 30, 2015, are as follows:

<u>School Improvement Bonds - 1995</u>			
Fiscal year Ending June 30,	Principal	Interest	Total
2016	\$1,301,282	\$45,545	\$1,346,827
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	0	0	0
2021-2023	0	0	0
Total	<u>\$1,301,282</u>	<u>\$45,545</u>	<u>\$1,346,827</u>

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

School Improvement Bonds - 2007

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$0	\$0	\$0
2017	535,000	32,900	567,900
2018	555,000	11,100	566,100
2019	0	0	0
2020	0	0	0
2021-2025	0	0	0
2026-2030	0	0	0
2031-2034	0	0	0
Total	<u>\$1,090,000</u>	<u>\$44,000</u>	<u>\$1,134,000</u>

2012 Refunding of 1995 School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2016	\$110,000	\$287,592	\$397,592
2017	0	286,492	286,492
2018	1,450,000	262,930	1,712,930
2019	1,500,000	211,243	1,711,243
2020	1,575,000	157,524	1,732,524
2021-2022	3,385,000	131,895	3,516,895
Total	<u>\$8,020,000</u>	<u>\$1,337,676</u>	<u>\$9,357,676</u>

Capital Appreciation Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2016	\$0	\$0	\$0
2017	988,230	631,769	1,619,999
2018	13,112	731,888	745,000
2019	6,219	293,781	300,000
2020	2,480	797,520	800,000
2021-2025	0	0	0
2026-2030	0	0	0
2031-2034	0	0	0
Total	<u>\$1,010,041</u>	<u>\$2,454,958</u>	<u>\$3,464,999</u>

Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

2013 Refunding of 2007 School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2016	\$0	\$0	\$0
2017	200,000	180,104	380,104
2018	0	178,604	178,604
2019	0	178,604	178,604
2020	0	178,604	178,604
2021-2024	3,210,000	766,098	3,976,098
2025-2029	4,375,000	308,790	4,683,790
2030-2034	0	0	0
Total	<u>\$7,785,000</u>	<u>\$1,790,804</u>	<u>\$9,575,804</u>

HB264 Bonds, Series 2014

Fiscal year Ending June 30,	Principal	Interest	Total
2016	\$153,502	\$77,925	\$231,427
2017	158,185	73,172	231,357
2018	163,008	68,274	231,282
2019	167,981	63,227	231,208
2020	173,104	58,026	231,130
2021-2025	948,010	206,377	1,154,387
2026-2029	867,905	53,936	921,841
Total	<u>\$2,631,695</u>	<u>\$600,937</u>	<u>\$3,232,632</u>

2015 Refunding of 2007 School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2016	\$120,000	\$251,361	\$371,361
2017	15,000	237,350	252,350
2018	50,000	236,700	286,700
2019	500,000	113,100	613,100
2020	0	226,200	226,200
2021-2025	0	1,131,000	1,131,000
2026-2030	985,000	1,111,300	2,096,300
2031-2034	4,670,000	389,200	5,059,200
Total	<u>\$6,340,000</u>	<u>\$3,696,211</u>	<u>\$10,036,211</u>

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 – Advance Refunding

On May 12, 2015 the District issued \$6,340,000 in Current Interest Bonds with an interest rate between 2.00% and 4.00% and \$5,000 in Capital Appreciation Bonds all of which was used to partially advance refund \$6,310,000 of the outstanding 2007 School Improvement Bonds with an interest rate between 4.00% and 5.00%. The net proceeds of \$6,943,089 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issue. As a result, \$6,310,000 of the 2007 School Improvement Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

The District advance refunded 2007 School Improvement Bonds to reduce its total debt service payments by \$312,551 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$234,674.

Note 14 - Interfund Activity

Interfund transactions at June 30, 2015, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$231,980	\$0	\$0	\$706,558
Debt Service	0	0	50,390	0
Other Governmental Funds	0	231,980	681,373	25,205
Total All Funds	\$231,980	\$231,980	\$731,763	\$731,763

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed. All interfund payables are expected to be repaid during the next fiscal year. The above interfund transactions comply with the requirements of the Ohio Revised Code.

Note 15 - Jointly Governed Organizations

South Central Ohio Computer Association Council of Governments

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 58 public education entities, 58 non-public entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two representatives of the school treasurers, plus a representative of the fiscal

Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

agent. Financial information can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio, 45661.

Hopewell Special Education Regional Resource Center

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own advisory board. The advisory board is made up of superintendents from the eighteen school districts or their designee, plus a representative from the Southern Ohio Educational Service Center, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and federal and State grants. To obtain financial information, write to Hopewell at the Southern Ohio Educational Service Center, 3321 Airborne Drive, Wilmington, Ohio, 45177.

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits 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 during the one year period. Payments to SOEPC are made from the General Fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Note 16 - 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set Aside Requirements	667,222
Qualified Disbursements	(2,647,572)
Prior Year Offset from Bond Proceeds	<u>0</u>
Set Aside Reserve Balance as of June 30, 2015	<u><u>(\$1,980,350)</u></u>
Restricted Cash as of June 30, 2015	<u><u>\$0</u></u>
Carried Forward to FY 2016	

Although the District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for capital acquisition. The amount may not be used to reduce the set-aside requirement of future fiscal years.

The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvements to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods.

Note 17 – Contingencies

Foundation Funding

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 District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

Litigation

The District is not involved in any litigation as of June 30, 2015.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 18 – Accountability

The following funds had deficit fund balances at June 30, 2015:

<u>Other Governmental Funds</u>	<u>Deficit</u>
EMIS	\$8,106
Public Preschool	25,716
Improving Teacher Quality	38,591
Title I	93,838
IDEA B	82,677
Auxiliary Services	497
IDEA Preschool	3,337
Miscellaneous Federal Grants	240

These deficits were created by the recognition of accrued liabilities.

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 19 – Fund Balances

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	2,254	0	0	2,254
Total Nonspendable	2,254	0	0	2,254
Restricted for:				
Other Grants	0	0	34,825	34,825
Classroom Facilities Maintenance	0	0	1,287,446	1,287,446
Athletic	0	0	23,573	23,573
Neediest Kids of All	0	0	564	564
Food Service	0	0	1,139,717	1,139,717
Debt Service	0	4,551,632	0	4,551,632
OSFC Local Funded Initiative	0	0	1,868,229	1,868,229
OSFC Project	0	0	115,348	115,348
Total Restricted	0	4,551,632	4,469,702	9,021,334
Committed to:				
Termination Benefits	124	0	0	124
Permanent Improvements	0	0	3,456,235	3,456,235
Total Committed	124	0	3,456,235	3,456,359
Assigned to:				
Encumbrances	173,006	0	0	173,006
Public Schools	94,828	0	0	94,828
Total Assigned	267,834	0	0	267,834
Unassigned (Deficit)	15,981,949	0	(253,002)	15,728,947
Total Fund Balance	\$16,252,161	4,551,632	\$7,672,935	\$28,476,728

Note 20 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Note 21 – Change in Accounting Principle and Restatement of Net Position

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/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$85,624,748
Adjustments:	
Net Pension Liability	(52,309,072)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>2,764,550</u>
Restated Net Position June 30, 2014	<u><u>\$36,080,226</u></u>

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.

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REQUIRED SUPPLEMENTARY INFORMATION

Adams County-Ohio Valley Local School 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
District's Proportion of the Net Pension Liability	0.14893643%	0.14893643%
District's Proportionate Share of the Net Pension Liability	\$36,226,494	\$43,036,549
District's Covered-Employee Payroll	\$15,379,810	\$15,086,293
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.55%	285.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Adams County-Ohio Valley Local School 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
District's Proportion of the Net Pension Liability	0.155881%	0.155881%
District's Proportionate Share of the Net Pension Liability	\$7,889,049	\$9,272,523
District's Covered-Employee Payroll	\$4,407,122	\$4,235,694
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	179.01%	218.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Adams County-Ohio Valley Local School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$2,203,320	\$2,130,406	\$2,223,864	\$2,024,364	\$2,393,280	\$2,810,916	\$2,541,264	\$2,362,800	\$2,391,432	\$2,171,064
Contributions in Relation to the Contractually Required Contribution	(2,203,320)	(2,130,406)	(2,223,864)	(2,024,364)	(2,393,280)	(2,810,916)	(2,541,264)	(2,362,800)	(2,391,432)	(2,171,064)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$16,135,642	\$15,379,810	\$15,086,293	\$14,472,888	\$16,365,096	\$16,992,555	\$16,559,305	\$13,639,714	\$14,064,353	\$13,639,714
Contributions as a Percentage of Covered-Employee Payroll	13.65%	13.85%	14.74%	13.99%	14.62%	16.54%	15.35%	17.32%	17.00%	15.92%

Adams County-Ohio Valley Local School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$753,816	\$634,144	\$704,832	\$832,320	\$851,496	\$780,876	\$735,984	\$689,184	\$658,200	\$599,988
Contributions in Relation to the Contractually Required Contribution	(753,816)	(634,144)	(704,832)	(832,320)	(851,496)	(780,876)	(735,984)	(689,184)	(658,200)	(599,988)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$4,709,916	\$4,407,122	\$4,235,694	\$3,754,727	\$3,975,854	\$4,235,207	\$4,195,386	\$3,766,522	\$3,015,341	\$2,850,780
Contributions as a Percentage of Covered-Employee Payroll	16.00%	14.39%	16.64%	22.17%	21.42%	18.44%	17.54%	18.30%	21.83%	21.05%