

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

JOHN STANLEY, TREASURER



Dave Yost • Auditor of State

Board of Education
East Clinton Local School District
97 Astro Way
Sabina, Ohio 45169

We have reviewed the *Independent Auditor's Report* of the East Clinton Local School District, Clinton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The East Clinton Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 25, 2017

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**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

East Clinton Local School District
Clinton County
97 Astro Way
Sabina, Ohio 45169

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the East Clinton Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Clinton Local School District's internal control over financial reporting and compliance.



East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

As management of the East Clinton Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the Notes to the Basic Financial Statements to enhance their understanding of the School District's performance.

This discussion and analysis of East Clinton Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016.

Financial Highlights

- The School District had an increase in property taxes revenue. The assessed agriculture valuation increased during the update cycle.
- Grants and entitlements not restricted to specific programs increased due to a change in the State Foundation funding formula.

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 East Clinton Local 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 School 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 School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the East Clinton Local School District are the General, Bond Retirement, and Permanent Improvement Funds.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2016?" The *Statement of Net Position* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets*, *deferred outflows of resources*, *liabilities*, and *deferred inflows of resources* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. The change in net position is important because it tells the reader that, for the School District as a

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

whole, the financial position of the School District has improved or diminished. However, the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs, and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the School 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 School 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. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the Governmental Fund Balance Sheet, and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

Fiduciary Funds - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The private purpose trust fund is used to account for college scholarship programs. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

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

Table 1 provides a summary of the School District's net position at June 30, 2016 and June 30, 2015:

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 1
Net Position
Governmental Activities

| Assets | 2016 | 2015 | Change |
|---------------------------------------|--------------------|--------------------|--------------------|
| Current and Other Assets | \$14,978,537 | \$12,457,282 | \$2,521,255 |
| Capital Assets, Net | 12,839,271 | 13,312,798 | (473,527) |
| Total Assets | 27,817,808 | 25,770,080 | 2,047,728 |
| Deferred Outflows of Resources | | | |
| Deferred Charge on Refunding | 7,005 | 22,482 | (15,477) |
| Pension | 1,793,903 | 1,140,385 | 653,518 |
| Total Deferred Outflows | 1,800,908 | 1,162,867 | 638,041 |
| Liabilities | | | |
| Other Liabilities | 1,382,531 | 1,405,358 | (22,827) |
| Long-Term Liabilities | | | |
| Net Pension Liability | 17,536,431 | 15,797,342 | 1,739,089 |
| Other Amounts | 1,336,695 | 1,642,617 | (305,922) |
| Total Liabilities | 20,255,657 | 18,845,317 | 1,410,340 |
| Deferred Inflows of Resources | | | |
| Property Taxes | 3,738,655 | 3,443,823 | 294,832 |
| Pension | 1,441,787 | 2,846,903 | (1,405,116) |
| Total Deferred Inflows | 5,180,442 | 6,290,726 | (1,110,284) |
| Net Position | | | |
| Net Investment in Capital Assets | 11,902,924 | 12,292,624 | (389,700) |
| Restricted | 2,505,755 | 2,313,305 | 192,450 |
| Unrestricted | (10,226,062) | (12,809,025) | 2,582,963 |
| Total Net Position | \$4,182,617 | \$1,796,904 | \$2,385,713 |

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School 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.

East Clinton Local School District
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For the Fiscal Year Ended June 30, 2016
Unaudited

GASB 68 requires the net pension liability to equal the School 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 School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the School 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.

Net investment in capital assets decreased \$389,700, which was due to depreciation exceeding additions for the fiscal year. Current assets increased due to an increase in cash and cash equivalents which was due to the increase in state funding.

Table 2, on the following page, shows the highlights of the School 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.

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

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

Table 2
Change in Net Position
Governmental Activities

| Revenues | 2016 | 2015 | Change |
|--|--------------------|--------------------|--------------------|
| Program Revenues: | | | |
| Charges for Services and Sales | \$1,334,006 | \$1,226,303 | \$107,703 |
| Operating Grants, Contributions and Interest | 2,147,214 | 2,020,040 | 127,174 |
| Capital Grants and Contributions | 57,330 | 78,202 | (20,872) |
| Total Program Revenues | 3,538,550 | 3,324,545 | 214,005 |
| General Revenues: | | | |
| Property Taxes | 3,984,990 | 3,800,756 | 184,234 |
| Grants and Entitlements not Restricted to Specific Programs | 8,737,013 | 8,139,013 | 598,000 |
| Investment Earnings | 138,192 | 69,748 | 68,444 |
| Gain on Sale of Capital Assets | 8,012 | 0 | 8,012 |
| Miscellaneous | 94,712 | 131,984 | (37,272) |
| Total General Revenues | 12,962,919 | 12,141,501 | 821,418 |
| Total Revenues | 16,501,469 | 15,466,046 | 1,035,423 |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | 6,128,607 | 6,107,900 | 20,707 |
| Special | 2,302,538 | 2,225,702 | 76,836 |
| Vocational | 169,740 | 97,410 | 72,330 |
| Student Intervention Services | 269 | 1,087 | (818) |
| Support Services: | | | |
| Pupils | 562,632 | 511,370 | 51,262 |
| Instructional Staff | 458,484 | 430,103 | 28,381 |
| Board of Education | 61,429 | 50,594 | 10,835 |
| Administration | 974,116 | 994,909 | (20,793) |
| Fiscal | 316,991 | 312,230 | 4,761 |
| Business | 6,745 | 5,964 | 781 |
| Operation and Maintenance of Plant | 1,238,606 | 1,177,371 | 61,235 |
| Pupil Transportation | 865,338 | 866,621 | (1,283) |
| Central | 63,773 | 59,438 | 4,335 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 614,210 | 569,948 | 44,262 |
| Extracurricular Activities | 314,954 | 358,213 | (43,259) |
| Interest and Fiscal Charges | 37,324 | 44,288 | (6,964) |
| Total Expenses | 14,115,756 | 13,813,148 | 302,608 |
| Increase in Net Position | 2,385,713 | 1,652,898 | 732,815 |
| Net Position at Beginning of Year | 1,796,904 | 144,006 | 1,652,898 |
| Net Position at End of Year | \$4,182,617 | \$1,796,904 | \$2,385,713 |

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Governmental Activities

Property taxes increased \$184,234 due to an increase in valuation mainly to agricultural properties.

Grants and entitlements not restricted to specific programs increased \$598,000 due to changes in the State Foundation formula. Operating grants, contributions and interest increased due to additional activity in the program funds.

Overall expenses increased by \$302,608 in fiscal year 2016 compared to fiscal year 2015. This increase is due to salary increases, higher healthcare cost, and an overall increase in the cost of doing business.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants, contributions and interest offsetting those costs. 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, charges for services, fees, and donations.

Table 3
Governmental Activities

| | Total Cost of Services 2016 | Total Cost of Services 2015 | Net Cost of Services 2016 | Net Cost of Services 2015 |
|-----------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Instruction | \$8,601,154 | \$8,432,099 | \$6,145,224 | \$6,088,012 |
| Support Services | 4,548,114 | 4,408,600 | 4,251,852 | 4,143,864 |
| Operation of Non- | | | | |
| Instructional Services | 614,210 | 569,948 | (62,806) | (42,872) |
| Extracurricular Activities | 314,954 | 358,213 | 205,612 | 255,311 |
| Interest and Fiscal Charges | 37,324 | 44,288 | 37,324 | 44,288 |
| Total Expenses | \$14,115,756 | \$13,813,148 | \$10,577,206 | \$10,488,603 |

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,468,263, expenditures of \$14,256,118, and other financing sources of \$11,865.

The net change in the General Fund balance for the fiscal year was an increase of \$2,061,069. This increase was a result of the revenues outpacing expenditures. Property tax revenue increased due to increases in assessed agriculture valuation during the update cycle and the increase in State Foundation due to the change in the funding formula.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The Bond Retirement Fund balance decreased \$1,014. This is a result of the payment of the capital appreciation bonds.

The Permanent Improvement Fund balance increased \$68,084. This was due to property tax revenue exceeding expenditures for the year.

General Fund - Budget Highlights

The School 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 2016, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was equal to the final budgeted amount in the General Fund.

For the General Fund, actual revenue was \$14,136,742, with final budget estimates matching. Original budgeted amounts were \$13,207,800, a difference of \$928,942 from final budget estimates. The School District received unanticipated revenues during the school year, causing the variance between original budget and final budget estimates.

Actual expenditures were \$12,382,957, with final appropriations matching. Original estimated expenditures of \$12,802,442 varied from final budget basis expenditures by \$419,485. The School District anticipated expenditures to be higher than they ended based on trends from the prior years.

Capital Assets and Debt Administration

Capital Assets

The East Clinton Local School District's investment in capital assets as of June 30, 2016 was \$12,839,271. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows June 30, 2016 balances compared to June 30, 2015:

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

| | 2016 | 2015 |
|-----------------------------------|--------------|--------------|
| Land | \$452,753 | \$452,753 |
| Buildings and Improvements | 11,105,777 | 11,694,319 |
| Furniture, Fixtures and Equipment | 733,011 | 703,726 |
| Vehicles | 547,730 | 462,000 |
| Totals | \$12,839,271 | \$13,312,798 |

East Clinton Local School District
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Net capital assets decreased \$473,527 as a result of the current year depreciation expense offset by additions to capital assets.

For more information on capital assets, refer to Note 8 of the Basic Financial Statements.

Debt

At June 30, 2016, the School District had \$943,352 in bonds outstanding, with \$318,000 due within one year. Table 5 summarizes outstanding bonds:

Table 5
 Outstanding Debt, at June 30,

| | 2016 | 2015 |
|---|-----------|-------------|
| 2003 - School Improvement Refunding Bonds | \$0 | \$41,162 |
| Accretion on Capital Appreciation Bonds | 0 | 224,100 |
| Premium on Refunding | 0 | 10,460 |
| 2013 - School Improvement Refunding Bonds | 565,000 | 566,000 |
| Premium on Refunding | 8,352 | 15,034 |
| 2010 - Energy Conservation Bonds | 370,000 | 410,000 |
| Totals | \$943,352 | \$1,266,756 |

The School District's voted legal debt margin was \$16,332,081 with an energy conservation debt margin of \$1,283,768 and an unvoted debt margin of \$183,752 at June 30, 2016.

For more information on debt, refer to Note 13 of the Basic Financial Statements.

District Challenges for the Future

School funding in Ohio is still the School District's biggest challenge as we are heavily dependent on State funding. While the Ohio Supreme Court ruled in March 1997 that Ohio's funding of public schools is unconstitutional and needs to be restricted, subsequent Court reviews of the legislature have not adequately responded to the specifics of the ruling. H.B. 66, passed in June 2005, has not helped school districts' financial future. Two of the major issues with H.B. 66 are the phase out of the cost of doing business factor and the phase out of personal tangible property tax with no long-term replacement revenue. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

The State legislature has created other opportunities for school children in Ohio that have caused more funding concerns for Ohio's public schools. The liberalization of home schooling requirements, post-secondary options, intra-district open enrollment, and community school districts have created additional competition for the limited funding available for education in Ohio.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The projection of student enrollment is another issue that is difficult to forecast. During the last several fiscal years, the School District's student enrollment has risen and fallen. These fluctuations make it very difficult to forecast an accurate financial picture of the School District. The transient nature of the School District's residents and students choosing one of the above mentioned alternatives to public education makes estimating the number of students to be funded through the school foundation program difficult.

The School District continues to demonstrate fiscal responsibility by doing whatever is necessary to keep the School District in the "black." Parents, students and staff are to be commended for the commitment of a quality education for the students of the School District. The Board and administrators are hopeful that public school funding in Ohio is a priority for Ohio's political leaders, and that it will permit the School District to continue to provide a quality education for its students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact John Stanley, Treasurer, at East Clinton Local School District, 97 Astro Way, Sabina, OH 45169.

East Clinton Local School District
Statement of Net Position
June 30, 2016

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$10,463,646 |
| Accrued Interest Receivable | 19,778 |
| Prepaid Items | 5,895 |
| Materials and Supplies Inventory | 4,919 |
| Inventory Held for Resale | 15,384 |
| Intergovernmental Receivable | 172,267 |
| Property Taxes Receivable | 4,296,648 |
| Capital Assets: | |
| Land | 452,753 |
| Depreciable Capital Assets, Net | 12,386,518 |
| <i>Total Assets</i> | 27,817,808 |
| Deferred Outflows of Resources | |
| Deferred Charge on Refunding | 7,005 |
| Pension | 1,793,903 |
| Total Deferred Outflows of Resources | 1,800,908 |
| Liabilities | |
| Accounts Payable | 5,564 |
| Accrued Wages and Benefits Payable | 1,263,692 |
| Intergovernmental Payable | 95,377 |
| Matured Compensated Absences Payable | 15,896 |
| Accrued Interest Payable | 2,002 |
| Long-Term Liabilities: | |
| Due Within One Year | 340,882 |
| Due in More Than One Year: | |
| Net Pension Liability | 17,536,431 |
| Other Amounts | 995,813 |
| <i>Total Liabilities</i> | 20,255,657 |
| Deferred Inflows of Resources | |
| Property Taxes | 3,738,655 |
| Pension | 1,441,787 |
| Total Deferred Inflows of Resources | \$5,180,442 |

(Continued)

See Accompanying Notes to the Basic Financial Statements

| | Governmental Activities |
|----------------------------------|----------------------------|
| Net Position | |
| Net Investment in Capital Assets | \$11,902,924 |
| Restricted for: | |
| Capital Projects | 686,097 |
| Debt Service | 371,504 |
| Classroom Facilities | 329,745 |
| Food Service | 627,528 |
| Other Purposes | 146,478 |
| Library Materials and Services: | |
| Expendable | 44,403 |
| Nonexpendable | 300,000 |
| Unrestricted (Deficit) | <u>(10,226,062)</u> |
| <i>Total Net Position</i> | <u><u>\$4,182,617</u></u> |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

| | Expenses | Program Revenues | |
|--|---------------------|--------------------------------|--|
| | | Charges for Services and Sales | Operating Grants, Contributions and Interest |
| Governmental Activities | | | |
| Instruction: | | | |
| Regular | \$6,128,607 | \$1,002,810 | \$64,647 |
| Special | 2,302,538 | 0 | 1,331,106 |
| Vocational | 169,740 | 0 | 49,341 |
| Student Intervention Services | 269 | 0 | 0 |
| Support Services: | | | |
| Pupils | 562,632 | 0 | 4,964 |
| Instructional Staff | 458,484 | 0 | 32,498 |
| Board of Education | 61,429 | 0 | 0 |
| Administration | 974,116 | 0 | 95,081 |
| Fiscal | 316,991 | 0 | 44,527 |
| Business | 6,745 | 0 | 0 |
| Operation and Maintenance of Plant | 1,238,606 | 6,765 | 18,614 |
| Pupil Transportation | 865,338 | 0 | 44,509 |
| Central | 63,773 | 0 | 0 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 614,210 | 215,089 | 461,927 |
| Extracurricular Activities | 314,954 | 109,342 | 0 |
| Interest and Fiscal Charges | 37,324 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>\$14,115,756</u> | <u>\$1,334,006</u> | <u>\$2,147,214</u> |

General Revenues

Property Taxes Levied for:
General Purposes
Debt Service
Capital Outlay
Classroom Facilities Maintenance
Grants and Entitlements not
Restricted to Specific Programs
Investment Earnings
Gain on Sale of Capital Assets
Miscellaneous

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

| <u>Program Revenues</u> | <u>Net(Expense) Revenue and Changes in Net Position</u> |
|--|---|
| Capital Grants and Contributions | Governmental Activities |
| \$8,026 | (\$5,053,124) |
| 0 | (971,432) |
| 0 | (120,399) |
| 0 | (269) |
| 0 | (557,668) |
| 0 | (425,986) |
| 0 | (61,429) |
| 0 | (879,035) |
| 1,720 | (270,744) |
| 0 | (6,745) |
| 16,626 | (1,196,601) |
| 30,958 | (789,871) |
| 0 | (63,773) |
| 0 | 62,806 |
| 0 | (205,612) |
| 0 | (37,324) |
| <u>\$57,330</u> | <u>(10,577,206)</u> |
| | 3,375,362 |
| | 257,790 |
| | 302,574 |
| | 49,264 |
| | 8,737,013 |
| | 138,192 |
| | 8,012 |
| | <u>94,712</u> |
| | <u>12,962,919</u> |
| | 2,385,713 |
| | <u>1,796,904</u> |
| | <u>\$4,182,617</u> |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District

Balance Sheet
Governmental Funds
June 30, 2016

| | General Fund | Bond Retirement Fund | Permanent Improvement Fund |
|--|----------------------------|----------------------------|----------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$8,080,757 | \$338,473 | \$645,105 |
| Materials and Supplies Inventory | 0 | 0 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 |
| Accrued Interest Receivable | 18,893 | 0 | 0 |
| Interfund Receivable | 264 | 0 | 0 |
| Intergovernmental Receivable | 0 | 0 | 0 |
| Prepaid Items | 5,727 | 0 | 0 |
| Property Taxes Receivable | <u>3,626,715</u> | <u>290,864</u> | <u>325,664</u> |
| <i>Total Assets</i> | <u><u>\$11,732,356</u></u> | <u><u>\$629,337</u></u> | <u><u>\$970,769</u></u> |
| Liabilities | | | |
| Accounts Payable | \$4,326 | \$0 | \$941 |
| Accrued Wages and Benefits Payable | 1,122,460 | 0 | 0 |
| Matured Compensated Absences Payable | 15,896 | 0 | 0 |
| Interfund Payable | 0 | 0 | 0 |
| Intergovernmental Payable | <u>85,572</u> | <u>0</u> | <u>0</u> |
| <i>Total Liabilities</i> | <u>1,228,254</u> | <u>0</u> | <u>941</u> |
| Deferred Inflows of Resources | | | |
| Property Tax | 3,152,506 | 255,831 | 283,731 |
| Unavailable Revenues | <u>197,217</u> | <u>13,714</u> | <u>16,914</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>3,349,723</u> | <u>269,545</u> | <u>300,645</u> |
| Fund Balances | | | |
| Nonspendable | 5,727 | 0 | 0 |
| Restricted | 0 | 359,792 | 669,183 |
| Committed | 133,324 | 0 | 0 |
| Assigned | 151,591 | 0 | 0 |
| Unassigned (Deficit) | <u>6,863,737</u> | <u>0</u> | <u>0</u> |
| <i>Total Fund Balances</i> | <u>7,154,379</u> | <u>359,792</u> | <u>669,183</u> |
| <i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i> | <u><u>\$11,732,356</u></u> | <u><u>\$629,337</u></u> | <u><u>\$970,769</u></u> |

See Accompanying Notes to the Basic Financial Statements

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$1,399,311 | \$10,463,646 |
| 4,919 | 4,919 |
| 15,384 | 15,384 |
| 885 | 19,778 |
| 0 | 264 |
| 172,267 | 172,267 |
| 168 | 5,895 |
| 53,405 | 4,296,648 |
| <u>\$1,646,339</u> | <u>\$14,978,801</u> |
| \$297 | \$5,564 |
| 141,232 | 1,263,692 |
| 0 | 15,896 |
| 264 | 264 |
| 9,805 | 95,377 |
| <u>151,598</u> | <u>1,380,793</u> |
| 46,587 | 3,738,655 |
| 175,528 | 403,373 |
| <u>222,115</u> | <u>4,142,028</u> |
| 305,087 | 310,814 |
| 1,064,255 | 2,093,230 |
| 0 | 133,324 |
| 0 | 151,591 |
| (96,716) | 6,767,021 |
| <u>1,272,626</u> | <u>9,455,980</u> |
| <u>\$1,646,339</u> | <u>\$14,978,801</u> |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2016

| | | |
|--|-----------------------------------|---------------------------|
| Total Governmental Fund Balances | | \$9,455,980 |
| <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | | |
| | Land | 452,753 |
| | Other capital assets | 28,545,627 |
| | Accumulated depreciation | <u>(16,159,109)</u> |
| Total | | 12,839,271 |
| Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds. | | |
| | Taxes | 187,715 |
| | Intergovernmental | 205,650 |
| | Interest | <u>10,008</u> |
| Total | | 403,373 |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds: | | |
| | Deferred Outflows - Pension | 1,793,903 |
| | Deferred Inflows - Pension | (1,441,787) |
| | Net Pension Liability | <u>(17,536,431)</u> |
| Total | | (17,184,315) |
| Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. | | |
| | | 7,005 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | |
| | | (2,002) |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | | |
| | Bonds payable | (565,000) |
| | Premium on debt issue | (8,352) |
| | Energy conservation bonds payable | (370,000) |
| | Compensated absences | <u>(393,343)</u> |
| Total | | <u>(1,336,695)</u> |
| Net Position of Governmental Activities | | <u><u>\$4,182,617</u></u> |

See Accompanying Notes to the Basic Financial Statements

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

| | General Fund | Bond Retirement Fund | Permanent Improvement Fund |
|--|---------------------------|----------------------------|----------------------------------|
| Revenues | | | |
| Property Taxes | \$3,381,396 | \$261,274 | \$303,279 |
| Intergovernmental | 9,606,476 | 44,339 | 57,330 |
| Investment Earnings | 133,672 | 0 | 0 |
| Tuition and Fees | 1,002,810 | 0 | 0 |
| Rent | 2,375 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Customer Sales and Services | 0 | 0 | 0 |
| Miscellaneous | 83,274 | 0 | 0 |
| <i>Total Revenues</i> | <u>14,210,003</u> | <u>305,613</u> | <u>360,609</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 5,695,386 | 0 | 40,494 |
| Special | 1,835,139 | 0 | 0 |
| Vocational | 171,172 | 0 | 0 |
| Student Intervention Services | 269 | 0 | 0 |
| Support Services: | | | |
| Pupils | 576,196 | 0 | 0 |
| Instructional Staff | 422,756 | 0 | 0 |
| Board of Education | 61,429 | 0 | 0 |
| Administration | 907,219 | 0 | 0 |
| Fiscal | 302,885 | 6,400 | 7,483 |
| Business | 6,745 | 0 | 0 |
| Operation and Maintenance of Plant | 1,104,736 | 0 | 85,633 |
| Pupil Transportation | 744,719 | 0 | 158,915 |
| Central | 64,417 | 0 | 0 |
| Operation of Non-Instructional Services: | | | |
| Other | 1,131 | 0 | 0 |
| Food Service Operations | 0 | 0 | 0 |
| Extracurricular Activities | 221,530 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 40,000 | 42,162 | 0 |
| Interest and Fiscal Charges | 5,070 | 19,227 | 0 |
| Capital Appreciation Bond Accretion | 0 | 238,838 | 0 |
| <i>Total Expenditures</i> | <u>12,160,799</u> | <u>306,627</u> | <u>292,525</u> |
| <i>Excess of Revenues Over (Under)Expenditures</i> | <u>2,049,204</u> | <u>(1,014)</u> | <u>68,084</u> |
| Other Financing Sources | | | |
| Proceeds from Sale of Capital Assets | 11,865 | 0 | 0 |
| <i>Net Change in Fund Balances</i> | 2,061,069 | (1,014) | 68,084 |
| <i>Fund Balances at Beginning of Year</i> | <u>5,093,310</u> | <u>360,806</u> | <u>601,099</u> |
| <i>Fund Balances at End of Year</i> | <u><u>\$7,154,379</u></u> | <u><u>\$359,792</u></u> | <u><u>\$669,183</u></u> |

See Accompanying Notes to the Basic Financial Statements

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$49,373 | \$3,995,322 |
| 1,193,666 | 10,901,811 |
| 8,740 | 142,412 |
| 0 | 1,002,810 |
| 0 | 2,375 |
| 109,342 | 109,342 |
| 219,479 | 219,479 |
| 11,438 | 94,712 |
| 1,592,038 | 16,468,263 |
| 67,973 | 5,803,853 |
| 517,216 | 2,352,355 |
| 0 | 171,172 |
| 0 | 269 |
| 0 | 576,196 |
| 37,190 | 459,946 |
| 0 | 61,429 |
| 92,215 | 999,434 |
| 1,212 | 317,980 |
| 0 | 6,745 |
| 62,365 | 1,252,734 |
| 0 | 903,634 |
| 0 | 64,417 |
| 0 | 1,131 |
| 612,394 | 612,394 |
| 105,602 | 327,132 |
| 0 | 82,162 |
| 0 | 24,297 |
| 0 | 238,838 |
| 1,496,167 | 14,256,118 |
| 95,871 | 2,212,145 |
| 0 | 11,865 |
| 95,871 | 2,224,010 |
| 1,176,755 | 7,231,970 |
| \$1,272,626 | \$9,455,980 |

See Accompanying Notes to the Basic Financial Statements

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

Net Change in Fund Balances - Total Governmental Funds \$2,224,010

**Amounts reported for governmental activities in the
 Statement of Activities are different because:**

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|--|-----------|-----------|
| Capital assets additions | 342,828 | |
| Depreciation expense | (812,502) | |
| Excess of depreciation over capital outlay expense | | (469,674) |

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a gain or loss on the sale of capital assets in the Statement of Activities.

| | | |
|--|----------|---------|
| Proceeds from the sale of capital assets | (11,865) | |
| Gain on sale of capital assets | 8,012 | |
| | | (3,853) |

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds.

| | | |
|---------------------------|----------|--------|
| Delinquent property taxes | (10,332) | |
| Intergovernmental | 33,435 | |
| Interest | 2,091 | |
| Total | | 25,194 |

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 1,103,352

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in Statement of Activities. (783,807)

Accretion and amortization of bond premiums, the deferred loss on refunding debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

| | | |
|--|----------|----------|
| Decrease in accrued interest payable | 46 | |
| Accretion on bonds | (14,738) | |
| Amortization of deferred amount on refunding | (15,477) | |
| Amortization of bond premium | 17,142 | |
| Total | | (13,027) |

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

| | | |
|----------------------|---------|---------|
| Principal retirement | 82,162 | |
| Payment of accretion | 238,838 | |
| Total | | 321,000 |

Some items 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. These activities consist of:

| | | |
|--|--|----------|
| Increase in compensated absences payable | | (17,482) |
|--|--|----------|

Change in Net Position of Governmental Activities \$2,385,713

See Accompanying Notes to the Basic Financial Statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive Variance with (Negative) |
|---|------------------|-------------|-------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$3,040,000 | \$3,373,826 | \$3,373,826 | \$0 |
| Intergovernmental | 9,105,925 | 9,612,618 | 9,612,618 | 0 |
| Investment Earnings | 40,000 | 79,080 | 79,080 | 0 |
| Tuition and Fees | 938,950 | 1,002,810 | 1,002,810 | 0 |
| Rent | 2,500 | 2,375 | 2,375 | 0 |
| Miscellaneous | 80,425 | 66,033 | 66,033 | 0 |
| <i>Total Revenues</i> | 13,207,800 | 14,136,742 | 14,136,742 | 0 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,981,476 | 5,777,805 | 5,777,805 | 0 |
| Special | 1,921,587 | 1,832,659 | 1,832,659 | 0 |
| Vocational | 153,887 | 161,990 | 161,990 | 0 |
| Student Intervention Services | 1,200 | 269 | 269 | 0 |
| Support Services: | | | | |
| Pupils | 553,140 | 575,092 | 575,092 | 0 |
| Instructional Staff | 439,690 | 437,467 | 437,467 | 0 |
| Board of Education | 63,801 | 61,855 | 61,855 | 0 |
| Administration | 921,172 | 918,671 | 918,671 | 0 |
| Fiscal | 316,101 | 339,700 | 339,700 | 0 |
| Business | 6,260 | 7,505 | 7,505 | 0 |
| Operation and Maintenance of Plant | 1,252,931 | 1,161,447 | 1,161,447 | 0 |
| Pupil Transportation | 842,394 | 768,131 | 768,131 | 0 |
| Central | 56,719 | 64,071 | 64,071 | 0 |
| Operation of Non-Instructional Services | 0 | 1,131 | 1,131 | 0 |
| Extracurricular Activities | 247,014 | 230,094 | 230,094 | 0 |
| Debt Service: | | | | |
| Principal | 40,000 | 40,000 | 40,000 | 0 |
| Interest | 5,070 | 5,070 | 5,070 | 0 |
| <i>Total Expenditures</i> | 12,802,442 | 12,382,957 | 12,382,957 | 0 |
| <i>Excess of Revenues Over Expenditures</i> | 405,358 | 1,753,785 | 1,753,785 | 0 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | 5,000 | 11,865 | 11,865 | 0 |
| Refund of Prior Year Expenditures | 17,000 | 17,241 | 17,241 | 0 |
| Transfers Out | (5,000) | 0 | 0 | 0 |
| <i>Total Other Financing Sources (Uses)</i> | 17,000 | 29,106 | 29,106 | 0 |
| <i>Net Change in Fund Balance</i> | 422,358 | 1,782,891 | 1,782,891 | 0 |
| <i>Fund Balance at Beginning of Year</i> | 5,877,514 | 5,877,514 | 5,877,514 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 141,573 | 141,573 | 141,573 | 0 |
| <i>Fund Balance at End of Year</i> | \$6,441,445 | \$7,801,978 | \$7,801,978 | \$0 |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

| | <u>Private Purpose Trust Fund</u> | |
|--|---------------------------------------|------------------------|
| | <u>Scholarship Fund</u> | <u>Agency Fund</u> |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$168,661 | <u><u>\$38,031</u></u> |
| Liabilities | | |
| Undistributed Monies | <u>0</u> | <u><u>\$38,031</u></u> |
| Net Position | | |
| Held in Trust for Scholarships | <u><u>\$168,661</u></u> | |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Year Ended June 30, 2016

| | <u>Private Purpose Trust Fund</u> | <u>Scholarship Fund</u> |
|--|---------------------------------------|-------------------------|
| Additions | | |
| Interest | \$435 | |
| Deductions | | <u>0</u> |
| <i>Change in Net Position</i> | 435 | |
| <i>Net Position at Beginning of Year</i> | <u>168,226</u> | |
| <i>Net Position at End of Year</i> | <u><u>\$168,661</u></u> | |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 - Description of the School District and Reporting Entity

East Clinton Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The Board controls the School District’s four instructional support facilities, staffed by 79 non-certified employees, 94 teaching personnel, and 11 administrative employees providing education to 1,368 students.

Reporting Entity

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

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

The School District participates in six organizations: four jointly governed organizations, one insurance purchasing pool, and one public entity shared risk pool. These organizations are presented in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Great Oaks Institute of Technology and Career Development
- South Central Ohio League
- Southwestern Ohio Educational Purchasing Council

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation
Group Rating Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit
Plan Trust

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

The School 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.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School 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 School District.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds:

Governmental funds are those through which most governmental functions of the School 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 and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for and report restricted resources for the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

Permanent Improvement Fund - This fund accounts for and reports restricted property taxes related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

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

Basis of Accounting

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, “available” means expected to be received within 60 days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants, and accrued 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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

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 School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables that will not be collected within the available period. For the School District, unavailable revenue includes grants and other sources.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

During fiscal year 2016, the School District's investments were limited to negotiable certificates of deposit and federal securities. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2016 amounted to \$133,672, which includes \$29,117 assigned from other School District funds.

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

Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market, and donated commodities are presented at their entitlement value. Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and purchased and donated food held for resale.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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 acquisition values as of the date received. The School District maintains a capitalization threshold of \$1,500. The School 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, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Buildings and Improvements | 20-40 years |
| Furniture, Fixtures and Equipment | 5-20 years |
| Vehicles | 10 years |

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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 governmental 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 during the current fiscal year. Bonds that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

Pension

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

Internal Activity

Internal allocations of overhead expenses from one function to another, or within the same function, are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the 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 budgetary control has been established by the Board of Education at the fund level. Although the legal level of budgetary control was established at the fund level of expenditures, the School District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School 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 requested at fiscal year-end. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

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 in the budgetary statements 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. Prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, 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. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Note 3 - Accountability

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

| <u>Funds</u> | <u>Amounts</u> |
|-----------------|------------------------|
| Title VI-B | \$32,877 |
| Title I | 54,053 |
| Class Reduction | 9,786 |
| Total | <u><u>\$96,716</u></u> |

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

| <u>Net Change in Fund Balance</u> | |
|-----------------------------------|--------------------|
| GAAP Basis | \$2,061,069 |
| Adjustments: | |
| Revenue Accruals | (1,116) |
| Unreported Cash/Interest: | |
| Beginning of Fiscal Year | 29,185 |
| End of Fiscal Year | (84,089) |
| Expenditure Accruals | (27,468) |
| Encumbrances | (194,690) |
| Budget Basis | <u>\$1,782,891</u> |

Note 5 - Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing 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 that are not needed for immediate use but that will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

Investments

As of June 30, 2016, the School District had the following investments, which are in an internal investment pool:

| Measurement/Investment | Measurement Amount | Maturity | Standard & Poor's Rating | Percent of Total Investments |
|--|-----------------------|-----------------------|--------------------------------|------------------------------------|
| Fair Value | | | | |
| Negotiable Certificates of Deposit | \$6,138,515 | Less than five years | N/A | 86.23% |
| Federal Farm Credit Bank Notes | 32,005 | Less than three years | AAA | N/A |
| Federal National Mortgage Association Notes | 288,183 | Less than four years | AAA | N/A |
| Federal Home Loan Bank Bonds | <u>660,215</u> | Less than five years | AAA | 9.27 |
| Total Investments | <u>\$7,118,918</u> | | | |

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School 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 School District and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District has no investment policy that would further limit its investment choices. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School 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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District places no limit on the amount it may invest in any one issuer.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 6 - Property Taxes

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

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

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

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

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

The amounts available as an advance at June 30, 2016 were \$286,494 in the General Fund, \$21,319 in the Bond Retirement Fund, \$25,019 in the Permanent Improvement Fund, and \$4,063 in the Classroom Facilities Maintenance Fund. The amounts available as an advance at June 30, 2015 were \$278,924 in the General Fund, \$24,791 in the Bond Retirement Fund, \$25,470 in the Permanent Improvement Fund, and \$4,124 in the Classroom Facilities Maintenance Fund.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

| | 2015 Second- Half Collections | | 2016 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$174,934,560 | 96.94% | \$178,151,240 | 96.95% |
| Public Utility | 5,528,890 | 3.06% | 5,600,800 | 3.05% |
| Total Assessed Value | <u>\$180,463,450</u> | <u>100.00%</u> | <u>\$183,752,040</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$34.80 | | \$34.50 | |

Note 7 - Receivables

Receivables at June 30, 2016 consisted of interest, interfund, intergovernmental grants, and property taxes. All receivables, except delinquent property taxes, are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. All receivable amounts, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|--|------------------|
| <u>Governmental Activities:</u> | |
| IDEA-B Special Education | \$54,146 |
| Title I Grant | 90,110 |
| IDEA Early Childhood Special Education | 4,964 |
| Title II-A Grant | <u>23,047</u> |
| Total Intergovernmental Receivables | <u>\$172,267</u> |

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 8 - Capital Assets

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

| | <u>Balance at</u> 6/30/15 | <u>Additions</u> | <u>Deductions</u> | <u>Balance at</u> 6/30/16 |
|---|------------------------------|--------------------|-------------------|------------------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$452,753 | \$0 | \$0 | \$452,753 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 24,110,631 | 28,567 | 0 | 24,139,198 |
| Furniture, Fixtures and Equipment | 2,988,268 | 115,346 | 0 | 3,103,614 |
| Vehicles | 1,208,072 | 198,915 | (104,172) | 1,302,815 |
| Total Capital Assets Being Depreciated | <u>28,306,971</u> | <u>342,828</u> | <u>(104,172)</u> | <u>28,545,627</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (12,416,312) | (617,109) | 0 | (13,033,421) |
| Furniture, Fixtures and Equipment | (2,284,542) | (86,061) | 0 | (2,370,603) |
| Vehicles | (746,072) | (109,332) | 100,319 | (755,085) |
| Total Accumulated Depreciation | <u>(15,446,926)</u> | <u>(812,502) *</u> | <u>100,319</u> | <u>(16,159,109)</u> |
| Total Capital Assets Being Depreciated, Net | <u>12,860,045</u> | <u>(469,674)</u> | <u>(3,853)</u> | <u>12,386,518</u> |
| Governmental Activities Capital Assets, Net | <u>\$13,312,798</u> | <u>(\$469,674)</u> | <u>(\$3,853)</u> | <u>\$12,839,271</u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|---|------------------|
| Instruction: | |
| Regular | \$541,984 |
| Vocational | 3,397 |
| Support Services: | |
| Pupils | 298 |
| Administration | 7,370 |
| Operation and Maintenance of Plant | 114,092 |
| Pupil Transportation | 119,455 |
| Operation of Non-Instructional Services | 3,350 |
| Extracurricular Activities | 22,556 |
| Total Depreciation Expense | <u>\$812,502</u> |

Note 9 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with Arthur J. Gallagher & Co. for property and fleet insurance and liability insurance.

Settled claims have not exceeded the commercial coverage in any of the past three years. There have been no significant changes in coverage during the fiscal year.

Workers' Compensation

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience, and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Medical and Dental Benefits

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council and Medical Insurance and Benefit Plan Trust, a public entity shared risk pool (Note 15). The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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For the Fiscal Year Ended June 30, 2016

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$271,484 for fiscal year 2016. Of this amount \$30,426 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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.

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Notes to the Basic Financial Statements
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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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year 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, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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.

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Notes to the Basic Financial Statements
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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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$831,868 for fiscal year 2016. Of this amount \$129,744 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School 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> |
|---|--------------------|---------------------|--------------|
| Proportion of the Net Pension Liability | | | |
| Prior Measurement Date | 0.06586000% | 0.05124355% | |
| Proportion of the Net Pension Liability | | | |
| Current Measurement Date | <u>0.06588870%</u> | <u>0.04984883%</u> | |
| Change in Proportionate Share | <u>0.00002870%</u> | <u>-0.00139472%</u> | |
| Proportionate Share of the Net | | | |
| Pension Liability | \$3,759,673 | \$13,776,758 | \$17,536,431 |
| Pension Expense | \$238,938 | \$544,869 | \$783,807 |

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

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| | SERS | STRS | Total |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$60,537 | \$628,046 | \$688,583 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 1,968 | 0 | 1,968 |
| School District contributions subsequent to the measurement date | 271,484 | 831,868 | 1,103,352 |
| Total Deferred Outflows of Resources | \$333,989 | \$1,459,914 | \$1,793,903 |
| | | | |
| | SERS | STRS | Total |
| Deferred Inflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$124,570 | \$990,810 | \$1,115,380 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | 0 | 326,407 | 326,407 |
| Total Deferred Inflows of Resources | \$124,570 | \$1,317,217 | \$1,441,787 |

\$1,103,352 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|-----------------------------|-------------------|--------------------|--------------------|
| Fiscal Year Ending June 30: | | | |
| 2017 | (\$44,609) | (\$305,195) | (\$349,804) |
| 2018 | (44,609) | (305,195) | (349,804) |
| 2019 | (44,895) | (305,195) | (350,090) |
| 2020 | 72,048 | 226,414 | 298,462 |
| Total | (\$62,065) | (\$689,171) | (\$751,236) |

East Clinton Local School District
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Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$5,213,316 | \$3,759,673 | \$2,535,586 |

Actuarial Assumptions - STRS

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

| | |
|-----------------------------------|--|
| Inflation | 2.75 percent |
| Projected salary increases | 12.25 percent at age 20 to 2.75 percent at age 70 |
| 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. |

East Clinton Local School District
Notes to the Basic Financial Statements
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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 no set back from age 90 and above.

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

STRS’ investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

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

Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School 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 School 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:

East Clinton Local School District
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| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$19,136,957 | \$13,776,758 | \$9,243,912 |

Note 11 - Postemployment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$34,084.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$51,456, and \$52,883, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 Ohio 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 discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$45,462, respectively. The full amount has been contributed for all three fiscal years.

Note 12 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees at the end of each fiscal year. 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 200 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days. An employee who has the maximum number of sick leave days accumulated at the time of retirement shall receive an additional three days severance.

Insurance Benefits

The School District provides life insurance to all employees, except substitutes, through Sun Life, and pays 100 percent of the premium.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Retirement Incentive

The School District offers a retirement incentive for certified employees who retire in the fiscal year in which they are first eligible. Eligible employees receive a \$12,000 lump sum payment. The Board may make the payment in two equal installments. The first payment shall be made within 15 days of the Treasurer's receipt of written confirmation from STRS that the employee is retired and receiving STRS benefits. The second payment shall be made the following January.

Note 13 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

| | Amount Outstanding 6/30/2015 | Additions | Deductions | Amount Outstanding 6/30/2016 | Amounts Due in One Year |
|-------------------------------------|------------------------------------|--------------------|------------------|------------------------------------|-------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| 2003 School Improvement | | | | | |
| Refunding Bonds: | | | | | |
| Capital Appreciation | | | | | |
| Bonds 16.56% | \$41,162 | \$0 | \$41,162 | \$0 | \$0 |
| Accretion on Capital | | | | | |
| Appreciation Bonds | 224,100 | 14,738 | 238,838 | 0 | 0 |
| Premium | 10,460 | 0 | 10,460 | 0 | 0 |
| 2013 School Improvement | | | | | |
| Refunding Bonds: | | | | | |
| Serial Bonds 3.40% | 566,000 | 0 | 1,000 | 565,000 | 278,000 |
| Premium | 15,034 | 0 | 6,682 | 8,352 | 0 |
| Energy Conservation Bonds 2010 | 410,000 | 0 | 40,000 | 370,000 | 40,000 |
| Total Bonds | <u>1,266,756</u> | <u>14,738</u> | <u>338,142</u> | <u>943,352</u> | <u>318,000</u> |
| <u>Other Long-Term Obligations:</u> | | | | | |
| Net Pension Liability | | | | | |
| SERS | 3,333,137 | 426,536 | 0 | 3,759,673 | 0 |
| STRS | 12,464,205 | 1,312,553 | 0 | 13,776,758 | 0 |
| Total Net Pension Liability | <u>15,797,342</u> | <u>1,739,089</u> | <u>0</u> | <u>17,536,431</u> | <u>0</u> |
| Compensated Absences | 375,861 | 55,556 | 38,074 | 393,343 | 22,882 |
| Total - Governmental Activities | | | | | |
| Long-term Obligations | <u>\$17,439,959</u> | <u>\$1,809,383</u> | <u>\$376,216</u> | <u>\$18,873,126</u> | <u>\$340,882</u> |

School Improvement Refunding Bonds 2003

On October 28, 2003, the School District issued \$2,899,998 in general obligation bonds for the purpose of advance refunding the 1995 School Improvement Bonds. Of these bonds, \$2,755,000 are serial bonds and \$144,998 are capital appreciation bonds. The bonds were retired from the Bond Retirement Fund.

The capital appreciation bonds are not subject to prior redemption. They matured during fiscal year 2016. The maturity amount of the capital appreciation bonds was \$280,000. For fiscal year 2016, the capital appreciation bonds were accreted \$14,738.

East Clinton Local School District
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For the Fiscal Year Ended June 30, 2016

The School District defeased the 1995 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. All the bonds were called and paid.

School Improvement Refunding Bonds 2013

On September 13, 2013, the School District issued \$570,000 in general obligation bonds for the purpose of current refunding the 2003 School Improvement Serial Bonds. The bonds were issued for a 4-year period with final maturity in December 2017. The bonds will be retired from the Bond Retirement Fund.

Energy Conservation Bonds 2010

On February 5, 2010, the School District issued \$595,000 in energy conservation bonds for the purpose of making energy efficient upgrades. The bonds were issued for a 15-year period with final maturity in December 2024. The bonds will be retired from the General Fund.

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund. For additional information related to the net pension liability see Note 10.

The School District's voted legal debt margin was \$16,332,081 with an energy conservation debt margin of \$1,283,768 and an unvoted debt margin of \$183,752 at June 30, 2016.

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

School Improvement Refunding Bonds
Series 2013

| Fiscal Year Ending June 30, | Serial Bonds Principal | Serial Bonds Interest | Total |
|--------------------------------|---------------------------|--------------------------|-----------|
| 2017 | \$278,000 | \$14,484 | \$292,484 |
| 2018 | 287,000 | 4,879 | 291,879 |
| Total | \$565,000 | \$19,363 | \$584,363 |

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Energy Conservation Bonds 2010

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|-----------|----------|-----------|
| 2017 | \$40,000 | \$4,550 | \$44,550 |
| 2018 | 40,000 | 4,030 | 44,030 |
| 2019 | 40,000 | 3,510 | 43,510 |
| 2020 | 40,000 | 2,990 | 42,990 |
| 2021 | 40,000 | 2,470 | 42,470 |
| 2022-2025 | 170,000 | 4,550 | 174,550 |
| Total | \$370,000 | \$22,100 | \$392,100 |

Note 14 - Interfund Activity

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

| | | Receivable |
|--|--|------------|
| | | General |
| | | \$264 |
| | | \$264 |

| | | Payable |
|--|--|------------------------|
| | | All Other Governmental |

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Note 15 - Jointly Governed Organizations, Insurance Purchasing Pool, and Public Entity Shared Risk Pool

Jointly Governed Organizations

Miami Valley Educational Computer Association

The School District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, Highland, and Madison 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 districts.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Board exercises total control over the operations of the consortium including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid MVECA \$44,022 for services provided during fiscal year 2016. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possess its own budgetary and taxing authority. Great Oaks offers career technical programs to high school juniors and seniors of the School District. The Board exercises total control over the operations of Great Oaks Institute of Technology and Career Development including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information, write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, OH 45241-1581.

South Central Ohio League

The South Central Ohio League provides sporting events for the students of the participating districts. The governing board consists of each participating high school's principal. The South Central Ohio League does not acquire financial resources and in no way will it cause financial stress on the School District.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 132 school districts and educational service centers in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's 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. The Board exercises total control over the operations of the council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Payments to the SOEPC are made from the General Fund. During fiscal year 2016, the School District paid \$863 to SOEPC for membership dues. 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Cooperative and the participating members of the GRP. The Benefits Administrator of the SOEPC coordinates the management and administration of the GRP. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit Plan Trust is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Note 16 - Set-Aside Calculation

The School 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 identifies the change in the year-end set-aside amount for capital acquisition. Disclosure of this information is required by State statute.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

| | Capital Acquisitions |
|--|-------------------------|
| Set-aside Balance as of June 30, 2015 | \$0 |
| Current Fiscal Year Set-aside Requirement | 239,062 |
| Current Fiscal Year Offsets | (239,062) |
| Qualifying Disbursements | 0 |
| <i>Totals</i> | <u>\$0</u> |
| <i>Set-aside Balance as of June 30, 2016</i> | <u>\$0</u> |

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 17 - Fund Balances

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

| <u>Fund Balances</u> | <u>General Fund</u> | <u>Bond Retirement Fund</u> | <u>Permanent Improvement Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|-----------------------------------|-------------------------|-------------------------------------|---|--|--------------------|
| <i>Nonspendable</i> | | | | | |
| Endowment Fund | \$0 | \$0 | \$0 | \$300,000 | \$300,000 |
| Prepays | 5,727 | 0 | 0 | 168 | 5,895 |
| Inventory | 0 | 0 | 0 | 4,919 | 4,919 |
| <i>Total Nonspendable</i> | 5,727 | 0 | 0 | 305,087 | 310,814 |
| <i>Restricted for</i> | | | | | |
| Debt Payments | 0 | 359,792 | 0 | 0 | 359,792 |
| Food Service Operations | 0 | 0 | 0 | 622,441 | 622,441 |
| Career Education | 0 | 0 | 0 | 4,000 | 4,000 |
| District Managed Activity | 0 | 0 | 0 | 33,650 | 33,650 |
| Capital Maintenance | 0 | 0 | 0 | 326,990 | 326,990 |
| Capital Improvements | 0 | 0 | 669,183 | 0 | 669,183 |
| Library Services | 0 | 0 | 0 | 43,897 | 43,897 |
| Fine Arts Activity | 0 | 0 | 0 | 33,277 | 33,277 |
| <i>Total Restricted</i> | 0 | 359,792 | 669,183 | 1,064,255 | 2,093,230 |
| <i>Committed to</i> | | | | | |
| Underground Storage | 11,000 | 0 | 0 | 0 | 11,000 |
| Termination Benefits | 99,124 | 0 | 0 | 0 | 99,124 |
| Building Upgrades | 23,200 | 0 | 0 | 0 | 23,200 |
| <i>Total Committed</i> | 133,324 | 0 | 0 | 0 | 133,324 |
| <i>Assigned to</i> | | | | | |
| Purchases on Order | 151,591 | 0 | 0 | 0 | 151,591 |
| <i>Unassigned</i> | | | | | |
| | 6,863,737 | 0 | 0 | (96,716) | 6,767,021 |
| <i>Total Fund Balances</i> | \$7,154,379 | \$359,792 | \$669,183 | \$1,272,626 | \$9,455,980 |

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 18 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

| | |
|-----------------------------|-------------------------|
| General Fund | \$194,690 |
| Permanent Improvement | 2,496 |
| Nonmajor Governmental Funds | 17,828 |
| Total | <u><u>\$215,014</u></u> |

Note 19 - Contingencies

Grants

The School 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, 2016, if applicable, cannot be determined at this time.

School Foundation

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

Litigation

The School District is not currently party to legal proceedings.

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REQUIRED SUPPLEMENTARY INFORMATION

East Clinton Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability | 0.06588870% | 0.06586000% | 0.06586000% |
| School District's Proportionate Share of the Net Pension Liability | \$3,759,673 | \$3,333,137 | \$3,916,483 |
| School District's Covered-Employee Payroll | \$1,995,036 | \$2,125,344 | \$2,072,786 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 188.45% | 156.83% | 188.95% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.16% | 71.70% | 65.52% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

Note: Amounts presented as of the School District's measurement date which is the prior fiscal year end.

East Clinton Local Schools
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|--------------|
| School District's Proportion of the Net Pension Liability | 0.04984883% | 0.05124355% | 0.05124355% |
| School District's Proportionate Share of the Net Pension Liability | \$13,776,758 | \$12,464,205 | \$14,847,279 |
| School District's Covered-Employee Payroll | \$5,207,679 | \$5,187,300 | \$4,456,846 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 264.55% | 240.28% | 333.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.10% | 74.70% | 69.30% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

Note: Amounts presented as of the School District's measurement date which is the prior fiscal year end.

East Clinton Local Schools
 Required Supplementary Information
 Schedule of School District Contributions
 School Employees Retirement System of Ohio
 Last Nine Fiscal Years (1)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$271,484 | \$262,946 | \$294,573 | \$286,874 |
| Contributions in Relation to the Contractually Required Contribution | <u>(271,484)</u> | <u>(262,946)</u> | <u>(294,573)</u> | <u>(286,874)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered-Employee Payroll | \$1,939,171 | \$1,995,036 | \$2,125,344 | \$2,072,786 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 13.18% | 13.86% | 13.84% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2008 is not available. An additional column will be added each year.

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|------------------|------------------|------------------|------------------|------------------|
| \$374,036 | \$328,415 | \$293,543 | \$194,013 | \$175,818 |
| <u>(374,036)</u> | <u>(328,415)</u> | <u>(293,543)</u> | <u>(194,013)</u> | <u>(175,818)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$2,780,937 | \$2,612,693 | \$2,167,966 | \$1,971,672 | \$1,790,404 |
| 13.45% | 12.57% | 13.54% | 9.84% | 9.82% |

East Clinton Local Schools
 Required Supplementary Information
 Schedule of School District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$831,868 | \$729,075 | \$674,349 | \$579,390 |
| Contributions in Relation to the Contractually Required Contribution | <u>(831,868)</u> | <u>(729,075)</u> | <u>(674,349)</u> | <u>(579,390)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered-Employee Payroll | \$5,941,914 | \$5,207,679 | \$5,187,300 | \$4,456,846 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 13.00% | 13.00% |

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$616,531 | \$617,044 | \$703,222 | \$715,017 | \$733,109 | \$680,125 |
| <u>(616,531)</u> | <u>(617,044)</u> | <u>(703,222)</u> | <u>(715,017)</u> | <u>(733,109)</u> | <u>(680,125)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$4,742,546 | \$4,746,492 | \$5,409,400 | \$5,500,131 | \$5,639,300 | \$5,231,731 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

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SUPPLEMENTARY INFORMATION

**EAST CLINTON LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | (A) PASS-THROUGH GRANT NUMBER | (B) CASH FEDERAL DISBURSEMENTS |
|---|----------------|--|---|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | |
| (D)(E) Child Nutrition Grant Cluster: School Breakfast Program | 10.553 | 2016 | \$ 122,479 |
| (C)(E) National School Lunch Program-Food Donations | 10.555 | 2016 | 47,995 |
| (D)(E) National School Lunch Program | 10.555 | 2016 | 331,876 |
| Total National School Lunch Program | | | 379,871 |
| Total U.S. Department of Agriculture and Child Nutrition Grant Cluster | | | 502,350 |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | |
| Title I Grant: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2015 | 49,336 |
| Title I Grants to Local Educational Agencies | 84.010 | 2016 | 295,112 |
| Total Title I Grant | | | 344,448 |
| Special Education Grant: | | | |
| Special Education_Grants to States | 84.027 | 2015 | 57,376 |
| Special Education_Grants to States | 84.027 | 2016 | 214,581 |
| Total Special Education Grants to States | | | 271,957 |
| Rural Education | 84.358 | 2016 | 25,298 |
| Improving Teacher Quality State Grants | 84.367 | 2015 | 10,353 |
| Improving Teacher Quality State Grants | 84.367 | 2016 | 54,409 |
| Total Improving Teacher Quality State Grants | | | 64,762 |
| Total U.S. Department of Education | | | 681,167 |
| Total Federal Financial Assistance | | | \$ 1,208,815 |

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the East Clinton Local School District under programs of the federal fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a the operations of the East Clinton Local School District, it is not intended to and does not present the financial position, changes position, or cash flows of the East Clinton Local School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at the entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of the "Child Nutrition Grant Cluster" in determining major programs.
- (F) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. East Clinton Local School District has not elected to use the 10% de minimus indirect cost rate.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

East Clinton Local School District
Clinton County
97 Astro Way
Sabina, Ohio 45169

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Local School District, Clinton County, Ohio as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the East Clinton Local School District's basic financial statements and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of Education
East Clinton Local School District

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
December 5, 2016



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by Uniform Guidance**

East Clinton Local School District
Clinton County
97 Astro Way
Sabina, Ohio 45169

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Board of Education
East Clinton Local School District

Opinion on the Major Federal Program

In our opinion, the East Clinton Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
December 5, 2016

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

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

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|--|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unmodified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unmodified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under 2 CFR §200.516(a)?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Program (listed):</i> | Special Education_Grants to States |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Are there any reportable findings under 2 CFR §200.516(a)?</i> | Yes |

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| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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None

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
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None

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Dave Yost • Auditor of State

EAST CLINTON LOCAL SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 7, 2017**