

Generic Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 Unaudited

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 for 2015 compared to 2014.

2015 amounts tie to page 5

Table 1
 Net Position
 Governmental Activities

	2015	2014	Change
Assets			
Current and Other Assets	\$23,146,637	\$22,345,928	\$800,709
Capital Assets	37,199,354	38,643,839	(1,444,485)
Total Assets	60,345,991	60,989,767	(643,776)
Deferred Outflows of Resources			
Deferred Charge on Refunding	152,345	170,434	(18,089)
Pension	1,804,326	1,458,085	346,241
Total Deferred Outflows of Resources	1,956,671	1,628,519	328,152
Liabilities			
Current and Other Liabilities	2,545,630	2,579,730	(34,100)
Long-term Liabilities:			
Due Within One Year	700,972	777,265	(76,293)
Due in More Than One year:			
Net Pension Liability	24,583,033	29,210,721	(4,627,688)
Other Amounts	8,247,356	8,861,155	(613,799)
Total Liabilities	36,076,991	41,428,871	(5,351,880)
Deferred Inflows of Resources			
Property Taxes	4,686,250	4,752,167	(65,917)
Pension	4,446,333	0	4,446,333
Total Deferred Inflows of Resources	9,132,583	4,752,167	4,380,416
Net Position			
Net Investment in Capital Assets	30,121,808	31,041,846	(920,038)
Restricted	7,064,640	6,497,594	567,046
Unrestricted	(20,093,360)	(21,102,192)	1,008,832
Total Net Position	\$17,093,088	\$16,437,248	\$655,840

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

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

Under the new standards required by GASB 68, the net pension liability equals the 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.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$44,189,884 to \$16,437,248.

Include any other analysis of current year to prior year.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

2015 amounts tie to
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Table 2
 Changes in Net Position
 Governmental Activities

	2015	2014	Change
Revenues			
Program Revenues			
Charges for Services	\$707,199	\$734,586	(\$27,387)
Operating Grants, Contributions and Interest	5,691,817	3,496,946	2,194,871
Total Program Revenues	<u>6,399,016</u>	<u>4,231,532</u>	<u>2,167,484</u>
General Revenues			
Property Taxes	5,331,027	4,397,977	933,050
Grants and Entitlements	14,180,355	14,831,544	(651,189)
Interest	48,005	96,573	(48,568)
Gift and Donations	10,000	2,592	7,408
Rent	0	2,677	(2,677)
Miscellaneous	66,764	70,124	(3,360)
Gain on Sale of Capital Assets	31,447	0	31,447
Total General Revenues	<u>19,667,598</u>	<u>19,401,487</u>	<u>266,111</u>
Total Revenues	<u>26,066,614</u>	<u>23,633,019</u>	<u>2,433,595</u>
Program Expenses			
Instruction:			
Regular	10,165,993	10,296,476	(130,483)
Special	3,434,861	3,225,893	208,968
Vocational	1,027,035	1,113,655	(86,620)
Intervention	180,306	76,341	103,965
Support Services:			
Pupils	747,987	552,119	195,868
Instructional Staff	425,361	522,393	(97,032)
Board of Education	103,460	54,397	49,063
Administration	1,787,931	1,808,024	(20,093)
Fiscal	771,456	764,009	7,447
Business	133,954	163,487	(29,533)
Operation and Maintenance of Plant	2,139,197	2,138,075	1,122
Pupil Transportation	2,514,325	1,969,931	544,394
Central	77,363	35,798	41,565
Operation of Non-Instructional Services:			
Food Service Operations	1,260,202	1,296,794	(36,592)
Extracurricular Activities	226,425	225,183	1,242
Interest and Fiscal Charges	414,918	439,677	(24,759)
Total Expenses	<u>25,410,774</u>	<u>24,682,252</u>	<u>728,522</u>
Increase (Decrease) in Net Position	655,840	(1,049,233)	1,705,073
Net Position Beginning of Year	16,437,248	N/A	
Net Position End of Year	<u>\$17,093,088</u>	<u>\$16,437,248</u>	<u>\$655,840</u>

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,458,085 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,045,061. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

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Total 2015 program expenses under GASB 68	\$25,410,774	← see page 3
Pension expense under GASB 68	(1,045,061)	← see page 12
2015 contractually required contribution	1,572,657	← see page 12
Adjusted 2015 program expenses	25,938,370	
Total 2014 program expenses under GASB 27	24,682,252	← See page 3
Increase in program expenses not related to pension	\$1,256,118	

Include any analysis of the program expenses.

Generic Local School District, Ohio

Statement of Net Position

June 30, 2015

	Governmental Activities	
Assets		
Equity in Pooled Cash and Cash Equivalents	\$15,593,259	
Accounts Receivable	2,181	
Materials and Supplies Inventory	25,216	
Inventory Held for Resale	15,363	
Intergovernmental Receivable	1,543,014	
Prepaid Items	412,589	
Property Taxes Receivable	5,555,015	
Nondepreciable Capital Assets	367,381	
Depreciable Capital Assets, Net	36,831,973	
	<hr/>	
<i>Total Assets</i>	60,345,991	
	<hr/>	
Deferred Outflows of Resources		
Deferred Charge on Refunding	152,345	
Pension	1,804,326	← see page 12
	<hr/>	
<i>Total Deferred Outflows of Resources</i>	1,956,671	
	<hr/>	
Liabilities		
Accounts Payable	176,399	
Accrued Wages and Benefits Payable	1,637,637	
Matured Compensated Absences Payable	14,355	
Accrued Interest Payable	20,759	
Vacation Benefits Payable	44,663	
Intergovernmental Payable	507,752	
Claims Payable	144,065	
Long-Term Liabilities:		
Due Within One Year	700,972	
Due In More Than One Year:		
Net Pension Liability (See Note 11)	24,583,033	← see page 12
Other Amounts Due in More Than One Year	8,247,356	
	<hr/>	
<i>Total Liabilities</i>	36,076,991	
	<hr/>	
Deferred Inflows of Resources		
Property Taxes	4,686,250	
Pension	4,446,333	← see page 12
	<hr/>	
<i>Total Deferred Inflows of Resources</i>	9,132,583	
	<hr/>	
Net Position		
Net Investment in Capital Assets	30,121,808	
Restricted for:		
Debt Service	1,541,519	
Capital Projects	3,163,748	
School Facilities Construction	38,499	
Library Materials:		
Expendable	537	
Nonexpendable	5,000	
Other Purposes	2,315,337	
Unrestricted	(20,093,360)	
	<hr/>	
<i>Total Net Position</i>	\$17,093,088	
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See accompanying notes to the basic financial statements

Generic Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions		Governmental Activities
Governmental Activities						
Instruction:						
Regular	\$10,165,993	\$233,290	\$1,462,680	\$0	(\$8,470,023)	
Special	3,434,861	3,070	2,532,953	0	(898,838)	
Vocational	1,027,035	1,842	19,070	0	(1,006,123)	
Intervention	180,306	0	190,444	0	10,138	
Support Services:						
Pupils	747,987	8,596	107,044	0	(632,347)	
Instructional Staff	425,361	0	163,727	0	(261,634)	
Board of Education	103,460	0	0	0	(103,460)	
Administration	1,787,931	16,125	137,304	0	(1,634,502)	
Fiscal	771,456	409	69,181	0	(701,866)	
Business	133,954	0	0	0	(133,954)	
Operation and Maintenance of Plant	2,139,197	930	101,864	0	(2,036,403)	
Pupil Transportation	2,514,325	79,186	107,294	0	(2,327,845)	
Central	77,363	0	29,175	0	(48,188)	
Operation of Non-Instructional Services:						
Food Service Operations	1,260,202	303,039	771,081	0	(186,082)	
Extracurricular Activities	226,425	60,712	0	0	(165,713)	
Interest and Fiscal Charges	414,918	0	0	0	(414,918)	
Totals	\$25,410,774	\$707,199	\$5,691,817	\$0	(19,011,758)	
General Revenues						
Property Taxes Levied for:						
General Purposes					4,257,171	
Debt Service					925,573	
Classroom Facilities Maintenance					148,283	
Grants and Entitlements not Restricted to Specific Programs					14,180,355	
Interest					48,005	
Gain on Sale of Capital Assets					31,447	
Gifts and Donations not Restricted to Specific Programs					10,000	
Miscellaneous					66,764	
Total General Revenues					19,667,598	
Change in Net Position					655,840	
Net Position Beginning of Year - Restated See Note 3					16,437,248	
Net Position End of Year					\$17,093,088	

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See accompanying notes to the basic financial statements

**Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities**

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	1,804,326	
Deferred Inflows - Pension	(4,446,333)	
Net Pension Liability	(24,583,033)	(27,225,040)

see page 5
and page 12

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities**

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

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

1,572,657
(1,045,061)

see page 12

Generic Local School District, Ohio

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

Note 2 - Summary of Significant Accounting Policies

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 11.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

Pensions

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

Note 3 – Change in Accounting Principle and Restatement of Net Position

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

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*Notes to the Basic Financial Statements
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from prior year
financial
statements

Net position June 30, 2014	\$44,189,884
Adjustments:	
Net Pension Liability	(29,210,721)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,458,085</u>
Restated Net Position June 30, 2014	<u><u>\$16,437,248</u></u>

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to page 6

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

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the 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.

Generic Local School District, Ohio

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

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:

	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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

from school district records

The School District’s contractually required contribution to SERS was \$349,805 for fiscal year 2015. Of this amount \$36,200 is reported as an intergovernmental payable.

to page 20, from school district records

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,

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*Notes to the Basic Financial Statements
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275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year 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, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

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

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

to page 22, from school district records

The School District's contractually required contribution to STRS was \$1,222,852 for fiscal year 2015. Of this amount \$170,240 is reported as an intergovernmental payable.

from school district records

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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:

from pension system
starts from amount from pension system with any other adjustments

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,476,555	\$20,106,478	\$24,583,033
Proportion of the Net Pension Liability	0.088453%	0.0826629%	
Pension Expense	\$263,366	\$781,695	\$1,045,061

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

from pension system

Deferred Outflows of Resources

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual experience	\$38,100	\$193,569	\$231,669
School District contributions subsequent to the measurement date	349,805	1,222,852	1,572,657
Total Deferred Outflows of Resources	<u>\$387,905</u>	<u>\$1,416,421</u>	<u>\$1,804,326</u>

1

from school district records

to page 5

from pension system

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	<u>\$726,558</u>	<u>\$3,719,775</u>	<u>\$4,446,333</u>
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2

\$1,572,657 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

from above

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$172,018)	(\$881,552)	(\$1,053,570)
2017	(172,018)	(881,552)	(1,053,570)
2018	(172,018)	(881,552)	(1,053,570)
2019	<u>(172,404)</u>	<u>(881,550)</u>	<u>(1,053,954)</u>
	<u>(\$688,458)</u>	<u>(\$3,526,206)</u>	<u>(\$4,214,664)</u>

collective amounts from pension system multiplied by proportionate share

tie to 1 - 2 above

Generic Local School District, Ohio

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

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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

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

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

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

Generic Local School District, Ohio

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

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	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all 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	\$6,386,715	\$4,476,555	\$2,869,947

↑
to page 12

collective amounts from pension system multiplied by the school district's proportionate share percentage

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above.

Generic Local School District, Ohio

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

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$28,784,615	\$20,106,478	\$12,767,694

collective amounts from pension system multiplied by the school district's proportionate share percentage

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Generic Local School District, Ohio

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

Note 16 - Long-Term Obligations

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

	<u>Principal Outstanding 6/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/15</u>	<u>Due Within One Year</u>
1998 School Bus Acquisition Bonds - 4.5% to 4.8%	<u>\$110,000</u>	<u>\$0</u>	<u>\$110,000</u>	<u>\$0</u>	<u>\$0</u>
2004 Ohio Department of Education Construction Loan - 0%	<u>80,970</u>	<u>0</u>	<u>13,495</u>	<u>67,475</u>	<u>13,495</u>
2000 School Facilities Construction and Improvement General Obligation Bonds:					
Original Issue of Capital Appreciation Bonds - 21.947% - 21.861%	451,077	0	159,576	291,501	149,649
Accretion on Capital Appreciation Bonds	<u>675,208</u>	<u>66,898</u>	<u>250,424</u>	<u>491,682</u>	<u>265,351</u>
Total 2000 School Facilities GO Bonds	<u>1,126,285</u>	<u>66,898</u>	<u>410,000</u>	<u>783,183</u>	<u>415,000</u>
2006 School Facilities Construction and Improvement Refunding Bonds:					
Serial Bonds - 4.10%	3,190,000	0	0	3,190,000	0
Term Bonds - 3.80-4.00%	225,000	0	70,000	155,000	75,000
Original Issue of Capital Appreciation Bonds - 14.276%	234,993	0	0	234,993	0
Capital Appreciation Bonds:					
Accretion	357,591	84,866	0	442,457	0
Premium	139,672	0	40,817	98,855	0
Discount	<u>(23,783)</u>	<u>0</u>	<u>(2,524)</u>	<u>(21,259)</u>	<u>0</u>
Total 2006 School Facilities Refunding Bonds	<u>4,123,473</u>	<u>84,866</u>	<u>108,293</u>	<u>4,100,046</u>	<u>75,000</u>
2007 School Facilities Construction and Improvement General Obligation Bonds:					
Serial Bonds - 4.00%	810,000	0	105,000	705,000	105,000
Term Bonds - 3.15-4.35%	2,275,000	0	0	2,275,000	0
Original Issue of Capital Appreciation Bonds - 10.171%	70,000	0	0	70,000	0
Capital Appreciation Bonds Accretion Premium	47,317	11,400	0	58,717	0
Total 2007 School Facilities GO Bonds	<u>56,936</u>	<u>0</u>	<u>2,673</u>	<u>54,263</u>	<u>0</u>
	<u>3,259,253</u>	<u>11,400</u>	<u>107,673</u>	<u>3,162,980</u>	<u>105,000</u>
Net Pension Liability:					
STRS	23,950,705	0	3,844,227	20,106,478	0
SERS	5,260,016	0	783,461	4,476,555	0
Total Net Pension Liability	<u>29,210,721</u>	<u>0</u>	<u>4,627,688</u>	<u>24,583,033</u>	<u>0</u>
Capital Leases	209,498	0	46,172	163,326	48,036
Sick Leave Benefits Payable	<u>728,941</u>	<u>101,572</u>	<u>159,195</u>	<u>671,318</u>	<u>44,441</u>
Total Long-Term Obligations	<u>\$38,849,141</u>	<u>\$264,736</u>	<u>\$5,582,516</u>	<u>\$33,531,361</u>	<u>\$700,972</u>

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Generic Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The Government pays obligations related to employee compensation from the fund benefitting from their service.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.088453%	0.088453%
School District's Proportionate Share of the Net Pension Liability	\$4,476,555	\$5,260,016
School District's Covered-Employee Payroll	\$2,585,634	\$2,602,890
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.13%	202.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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from school district records

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from pension system CAFR

Generic Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.0826629%	0.0826629%
School District's Proportionate Share of the Net Pension Liability	\$20,106,478	\$23,950,705
School District's Covered-Employee Payroll	\$8,459,357	\$8,449,538
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.68%	283.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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from school district records

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from pension system CAFR

Generic Local School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Eight Fiscal Years (1)

plus similar STRS amount to page 9

amounts prior to 2014 from prior financial statements

	2015	2014	2013	2012
Contractually Required Contribution	\$349,805	\$358,369	\$360,240	\$310,648
Contributions in Relation to the Contractually Required Contribution	(349,805)	(358,369)	(360,240)	(310,648)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District Covered-Employee Payroll	\$2,654,058	\$2,585,634	\$2,602,890	\$2,309,654
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

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(1) Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$307,836	\$244,899	\$244,979	\$245,618
<u>(307,836)</u>	<u>(244,899)</u>	<u>(244,979)</u>	<u>(245,618)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,448,975	\$1,808,709	\$2,489,626	\$2,501,201
12.57%	13.54%	9.84%	9.82%

Generic Local School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

plus similar SERS
amount to page 9

amounts prior to 2014
from prior financial
statements

	2015	2014	2013	2012
Contractually Required Contribution	\$1,222,852	\$1,099,716	\$1,098,440	\$1,097,140
Contributions in Relation to the Contractually Required Contribution	(1,222,852)	(1,099,716)	(1,098,440)	(1,097,140)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$8,734,655	\$8,459,357	\$8,449,538	\$8,439,538
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

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<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,186,815	\$1,173,463	\$1,215,271	\$1,260,665	\$1,198,971	\$1,199,328
<u>(1,186,815)</u>	<u>(1,173,463)</u>	<u>(1,215,271)</u>	<u>(1,260,665)</u>	<u>(1,198,971)</u>	<u>(1,199,328)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,129,346	\$9,026,638	\$9,348,238	\$9,697,423	\$9,222,854	\$9,225,600
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%