

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

KRISTEN RHOADS, TREASURER



Dave Yost • Auditor of State

Board of Education
Circleville City School District
388 Clark Drive
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of the Circleville City School District, Pickaway 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 Circleville City 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 18, 2017

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**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Circleville City School District
Pickaway County
388 Clark Drive
Circleville, Ohio 43113

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 Circleville City School District, Pickaway 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 Circleville City 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 Circleville City 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 Circleville City 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 Circleville City School District, Pickaway County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison 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 and Other Information

Our audit was conducted to opine on the Circleville City 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 8, 2016, on our consideration of the Circleville City 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 Circleville City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 8, 2016

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position of governmental activities increased \$381,024 which represents a 2.57% increase from 2015's net position.
- General revenues accounted for \$26,718,613 in revenue or 82.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,846,688 or 17.95% of total revenues of \$32,565,301.
- The District had \$30,634,696 in expenses related to governmental activities; only \$5,846,688 of these expenses was offset by program specific charges for services and grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$26,718,613 were adequate to provide for these programs.
- The District's major funds are the general fund and the bond retirement fund. The general fund had \$24,649,427 in revenues and \$23,116,565 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$1,532,862 from a balance of \$14,304,428 to a balance of \$15,837,290.
- The bond retirement fund had \$19,417,698 in revenues and other financing sources and \$17,784,196 in expenditures and other financing uses. During fiscal year 2016, the bond retirement fund's fund balance increased \$1,633,502 from a balance of \$3,144,501 to a balance of \$4,778,003.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are the only major funds.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Fund

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-67 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 68 through 74 of this report.

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**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District as a Whole

The statement of net position provides the perspective of the School District as a whole.

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 38,559,479	\$ 39,741,276
Capital assets, net	<u>68,312,339</u>	<u>68,198,395</u>
Total assets	<u>106,871,818</u>	<u>107,939,671</u>
<u>Deferred outflows</u>		
Unamortized deferred charges on debt refunding	62,804	-
Pension	<u>3,951,243</u>	<u>2,274,108</u>
Total deferred outflows	<u>4,014,047</u>	<u>2,274,108</u>
<u>Liabilities</u>		
Current liabilities	3,169,717	3,735,891
Long-term liabilities:		
Due within one year	657,870	702,348
Due in more than one year		
Net pension liability	35,584,609	30,800,259
Other amounts	<u>45,866,810</u>	<u>45,741,831</u>
Total liabilities	<u>85,279,006</u>	<u>80,980,329</u>
<u>Deferred inflows</u>		
Property taxes levied for the next fiscal year	7,885,419	8,300,449
Payment in lieu of taxes levied for the next fiscal year	257,702	359,142
Unamortized deferred charges on debt refunding	-	157,651
Pension	<u>2,250,007</u>	<u>5,583,501</u>
Total deferred inflows	<u>10,393,128</u>	<u>14,400,743</u>
<u>Net Position</u>		
Net investment in capital assets	23,863,279	22,960,675
Restricted	10,033,916	12,478,774
Unrestricted (deficit)	<u>(18,683,464)</u>	<u>(20,606,742)</u>
Total net position	<u>\$ 15,213,731</u>	<u>\$ 14,832,707</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

During a prior fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions made subsequent to the measurement date—an Amendment of GASB Statement No.68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

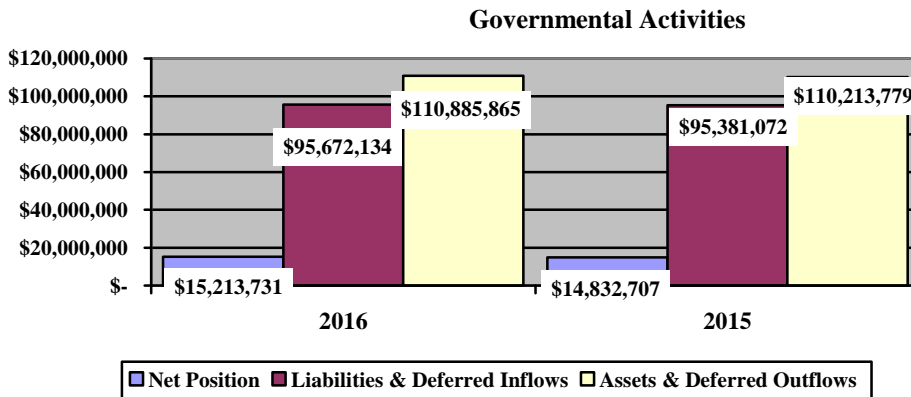
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Over time, net position can serve as a useful indicator of government's financial position. At June 30, 2016, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$15,213,731. Of this total, \$10,033,916 is restricted in use.

At year end, capital assets represented 63.92% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investments in capital assets at June 30, 2016, were \$23,863,279. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$10,033,916, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$18,683,464).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and June 30, 2015.



The table below shows the change in net position for fiscal year 2016 and 2015.

Change in Net Position

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,243,570	\$ 1,096,566
Operating grants and contributions	4,603,118	4,653,758
General revenues:		
Property taxes	10,702,516	10,059,724
Revenue in lieu of taxes	465,682	751,871
School district income taxes	1,839,682	1,197,966
Grants and entitlements	13,395,289	13,054,838
Investment earnings	229,479	113,743
Other	85,965	538,594
Total revenues	32,565,301	31,467,060

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**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Governmental Activities	
	2016	2015
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 12,998,355	\$ 12,962,387
Special	3,754,910	3,588,972
Vocational	181,074	129,705
Other	162,708	172,139
Support services:		
Pupil	1,099,525	936,516
Instructional staff	1,797,823	1,615,727
Board of education	150,797	132,560
Administration	2,212,900	2,298,890
Fiscal	693,150	627,458
Operations and maintenance	1,777,033	2,106,261
Pupil transportation	1,181,065	1,135,836
Central	146,480	128,595
Operation of non-instructional services:		
Other non-instructional services	306,945	247,616
Food service operations	1,217,722	1,225,937
Extracurricular activities	712,400	1,177,363
Interest and fiscal charges	2,241,809	2,570,199
 Total expenses	 30,634,696	 31,056,161
 Special item	 (1,549,581)	 -
 Changes in net position	 381,024	 410,899
 Net position at beginning of year	 14,832,707	 14,421,808
 Net position at end of year	 \$ 15,213,731	 \$ 14,832,707

Governmental Activities

Net position of the District's governmental activities increased \$381,024. Total governmental expenses of \$30,634,696 were offset by program revenues of \$5,846,688 and general revenues of \$26,718,613. Program revenues supported 19.09% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, payment in lieu of taxes, income taxes and grants and entitlements not restricted to specific programs. These revenue sources represent 81.08% of total governmental revenue. Real estate property is reappraised every six years. Total revenues increased \$1,098,241 during the current fiscal year. The majority of the increase was in property and income tax revenues. This increase is due to the amount of taxes collected during the current fiscal year and due to an increase in the amount of property tax revenues available for advance at fiscal year-end by the Pickaway County Fiscal Officer. Tax advances available are recorded as revenue under GAAP. The amount of tax advance available at year-end can vary depending upon when the county fiscal officers distribute tax bills.

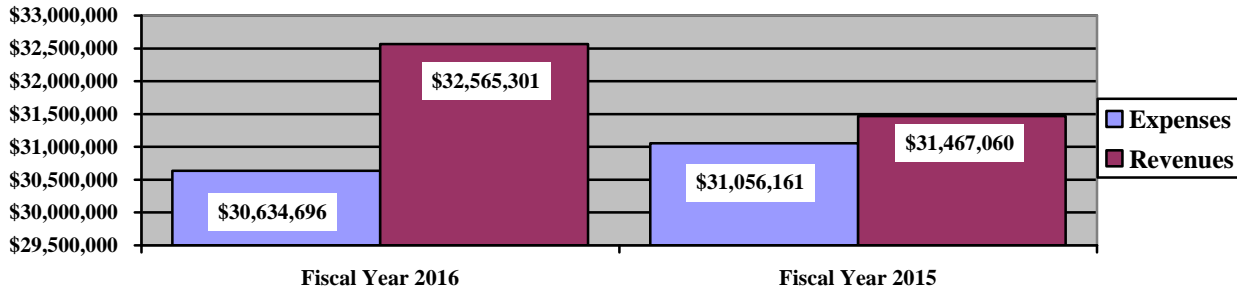
Total expenses decreased \$421,465 primarily due to a decrease in extracurricular expense. Extracurricular expense decreased due to the District spending less on sports oriented capital activity in 2016 compared to 2015.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2016 and 2015.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses:				
Instruction:				
Regular	\$ 12,998,355	\$ 11,362,814	\$ 12,962,387	\$ 11,391,507
Special	3,754,910	1,600,327	3,588,972	1,456,448
Vocational	181,074	176,013	129,705	124,221
Other	162,708	12,163	172,139	12,520
Support services:				
Pupil	1,099,525	1,099,525	936,516	936,516
Instructional staff	1,797,823	1,608,364	1,615,727	1,350,829
Board of Education	150,797	150,797	132,560	132,560
Administration	2,212,900	2,173,277	2,298,890	2,169,915
Fiscal	693,150	693,150	627,458	627,458
Operations and maintenance	1,777,033	1,755,029	2,106,261	2,089,698
Pupil transportation	1,181,065	1,134,504	1,135,836	1,109,264
Central	146,480	146,480	128,595	128,595
Operation of non-instructional services:				
Other non-instructional services	306,945	81,236	247,616	34,315
Food service operations	1,217,722	(20,187)	1,225,937	122,657
Extracurricular activities	712,400	572,707	1,177,363	1,049,135
Interest and fiscal charges	2,241,809	2,241,809	2,570,199	2,570,199
Total expenses	\$ 30,634,696	\$ 24,788,008	\$ 31,056,161	\$ 25,305,837

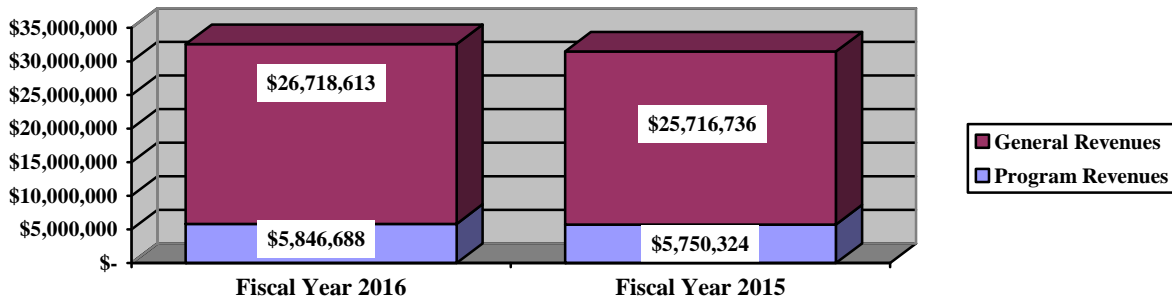
**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The dependence upon tax and other general revenues for governmental activities is apparent, 76.92% of instruction activities in fiscal year 2016 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.91%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$26,151,945 which is higher than last year's total of \$24,749,348. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	Increase <u>(Decrease)</u>
General	\$ 15,837,290	\$ 14,304,428	\$ 1,532,862
Bond retirement	4,778,003	3,144,501	1,633,502
Other governmental	<u>5,536,652</u>	<u>7,300,419</u>	<u>(1,763,767)</u>
Total	<u>\$ 26,151,945</u>	<u>\$ 24,749,348</u>	<u>\$ 1,402,597</u>

General Fund

The District's general fund balance increased \$1,532,862. The most significant increase was in the area of tax revenue. Tax revenue increased \$1,142,828 or 13.20% from the prior year. This increase can be attributed to an increase in the amount of tax revenues collected during the current fiscal year and due to the amount of tax advance that was available to the District from the County Fiscal Officer at June 30, 2016 versus June 30, 2015. Intergovernmental revenue increased due to an increase in State Foundation revenue received. Other revenues decreased due to a decrease in contributions and donations. Expenditures related to instruction and support services increased during the year due to an increase in personnel costs. Extracurricular and Facilities acquisition and construction expenses decreased due to the general fund's reduction in contributions associated with the District's athletic complex.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 9,797,519	\$ 8,654,691	13.20 %
Earnings on investments	230,217	98,982	132.58 %
Intergovernmental	13,165,912	12,255,091	7.43 %
Other revenues	<u>1,455,779</u>	<u>2,080,261</u>	(30.02) %
Total	<u>\$ 24,649,427</u>	<u>\$ 23,089,025</u>	6.76 %
<u>Expenditures</u>			
Instruction	\$ 13,804,944	\$ 12,857,805	7.37 %
Support services	7,745,515	7,561,197	2.44 %
Extracurricular activities	517,323	871,588	(40.65) %
Facilities acquisition and construction	161,922	2,579,615	(93.72) %
Debt service	<u>561,766</u>	<u>320,361</u>	75.35 %
Total	<u>\$ 22,791,470</u>	<u>\$ 24,190,566</u>	(5.78) %

Bond Retirement Fund

The bond retirement fund had \$19,417,698 in revenues and other financing sources and \$17,784,196 in expenditures and other financing uses. During fiscal year 2016, the bond retirement fund's fund balance increased \$1,633,502 from a balance of \$3,144,501 to a balance of \$4,778,003.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$25,511,588, which was lower than the original budgeted revenues and other financing sources of \$25,624,814. Actual revenues and other financing sources for fiscal 2016 were \$25,505,056 which was \$6,532 lower than the final budgeted revenues.

General fund original appropriations of \$26,684,384 were increased to \$31,057,166 in the final budget. The actual budget basis expenditures for fiscal year 2016 totaled \$24,785,538, which was \$6,271,628 less than the final budgeted appropriations.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$68,312,339 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015.

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,627,374	\$ 1,655,929
Construction in progress	-	12,495,432
Land improvements	4,132,066	3,826,767
Building and improvements	61,107,074	48,858,530
Furniture and equipment	1,134,188	976,740
Vehicles	<u>311,637</u>	<u>384,997</u>
Total	<u>\$ 68,312,339</u>	<u>\$ 68,198,395</u>

The overall increase in capital assets is due to capital outlays of \$2,188,712 exceeding depreciation expense of \$2,046,213 and disposals of \$28,555 (net of accumulated depreciation) in the current period.

See Note 10 to the basic financial statements for detail.

Debt Administration

At June 30, 2016, the District had \$81,178 in a capital lease agreement, \$192,000 in energy conservation notes, \$7,000,000 in certificates of participation and \$36,143,856 in general obligation bonds outstanding. Of this total, \$522,208 is due within one year and \$42,894,826 is due within greater than one year. The following table summarizes the liabilities outstanding.

	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
	<u>2016</u>	<u>2015</u>
Capital lease agreement	\$ 81,178	\$ 114,273
Energy conservation notes	192,000	215,000
Certificates of participation	7,000,000	7,000,000
General obligation bonds	<u>36,143,856</u>	<u>36,819,785</u>
Total	<u>\$ 43,417,034</u>	<u>\$ 44,149,058</u>

See Note 11 to the basic financial statements for detail on the District's debt administration.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Current Financial Related Activities

The challenge for the District's management is to continue to provide the resources necessary to meet student needs and to stay within the five-year forecast. The five-year forecast is utilized by the District to effectively and efficiently manage the District's resources to their fullest.

In May of 2010, the District was successful in passing a \$37,917,624 bond issue. This bond issue will be used to fund the District's share of the \$65.3 million dollar new facilities construction project with the Ohio Facilities Construction Commission. This project will build a new Pre-Kindergarten through 12th grade school campus. The contracts for the construction of the new elementary and high school were approved by Board of Education and the Ohio Facilities Construction Commission on July 26, 2012. The contracts for the new middle schools were approved December 11, 2013. The District opened the new high school in January of 2015, followed by the opening of the elementary school in August of 2015, and the middle school opened in August 2016. Along with the Ohio Facilities Construction Commission project, the district is completing a Champions Complex. This project included the renovation and construction of the outside athletic facilities. A new concession stand, restrooms, ticket booth, Fieldhouse and Multipurpose building have been built. Also, included in this project were softball, baseball, soccer fields and tennis courts. Both the OFCC building project and the Champions Complex project are nearing completion. The District is currently working to complete the close out process of the OFCC project. A committee has been formed to finalize the remaining projects associated with the Champions Complex and is working on completing this complex.

In spring of 2016, the District negotiated with the Circleville Education Association. The outcome was a three year agreement for the period of July 1, 2016 through June 30, 2019. The Circleville Education Association agreement includes a 2%, 1.75% and 1.5% pay raise, respectively. The District approved a Classified Employee Handbook on June 16, 2013, effective July 1, 2013. This handbook included a pay raise of 1.75% for the 2013-2014 school year. After that year, performance based increases have been authorized by the Board.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Kristen Rhoads, Treasurer at Circleville City School District, 388 Clark Drive, Circleville, Ohio, 43113.

**BASIC
FINANCIAL STATEMENTS**

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 23,437,001
Cash with escrow agent	3,510,413
Receivables:	
Property taxes	9,413,403
Income taxes.	669,058
Payment in lieu of taxes	344,984
Accounts.	831
Accrued interest	50,795
Intergovernmental	1,057,068
Prepayments	44,366
Materials and supplies inventory.	23,007
Inventory held for resale.	8,553
Capital assets:	
Land.	1,627,374
Depreciable capital assets, net.	66,684,965
Capital assets, net.	68,312,339
Total assets.	<u>106,871,818</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	62,804
Pension - STRS	3,098,524
Pension - SERS	852,719
Total deferred outflows of resources	<u>4,014,047</u>
Liabilities:	
Accounts payable.	190,968
Contracts payable.	181,641
Retainage payable	15,053
Accrued wages and benefits payable	2,089,883
Intergovernmental payable	39,754
Pension and post employment benefits payable.	363,695
Accrued interest payable	288,723
Long-term liabilities:	
Due within one year.	657,870
Due in more than one year:	
Net pension liability	35,584,609
Other amounts due in more than one year	45,866,810
Total liabilities	<u>85,279,006</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	7,885,419
Payment in lieu of taxes levied for the next fiscal year	257,702
Pension - STRS.	2,094,927
Pension - SERS.	155,080
Total deferred inflows of resources	<u>10,393,128</u>
Net position:	
Net investment in capital assets	23,863,279
Restricted for:	
Capital projects	5,154,909
Classroom facilities maintenance	722,204
Debt service.	3,951,327
State funded programs.	11,043
Student activities	33,495
Other purposes	160,938
Unrestricted (deficit)	(18,683,464)
Total net position.	<u>\$ 15,213,731</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 12,998,355	\$ 833,635	\$ 801,906	\$ (11,362,814)
Special	3,754,910	59,453	2,095,130	(1,600,327)
Vocational	181,074	-	5,061	(176,013)
Other	162,708	-	150,545	(12,163)
Support services:				
Pupil.	1,099,525	-	-	(1,099,525)
Instructional staff	1,797,823	-	189,459	(1,608,364)
Board of education	150,797	-	-	(150,797)
Administration.	2,212,900	2,495	37,128	(2,173,277)
Fiscal.	693,150	-	-	(693,150)
Operations and maintenance	1,777,033	5,040	16,964	(1,755,029)
Pupil transportation.	1,181,065	-	46,561	(1,134,504)
Central	146,480	-	-	(146,480)
Operation of non-instructional services:				
Other non-instructional services	306,945	-	225,709	(81,236)
Food service operations	1,217,722	203,670	1,034,239	20,187
Extracurricular activities.	712,400	139,277	416	(572,707)
Interest and fiscal charges	2,241,809	-	-	(2,241,809)
Total governmental activities	\$ 30,634,696	\$ 1,243,570	\$ 4,603,118	(24,788,008)

General revenues:

Property taxes levied for:	
General purposes	8,012,219
Classroom facilities maintenance	131,880
Debt service.	2,134,255
Capital outlay.	424,162
Payments in lieu of taxes.	465,682
Income taxes levied for:	
General purposes	1,839,682
Grants and entitlements not restricted to specific programs	
Investment earnings	229,479
Miscellaneous	85,965
Total general revenues	26,718,613
Special item - OFCC funding	(1,549,581)
Total general revenues and special items.	25,169,032
Change in net position	381,024
Net position at beginning of year	14,832,707
Net position at end of year.	\$ 15,213,731

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 16,122,646	\$ 1,052,051	\$ 6,262,304	\$ 23,437,001
Cash with escrow agent	-	3,495,360	15,053	3,510,413
Receivables:				
Property taxes	7,187,219	1,671,567	554,617	9,413,403
Income taxes	669,058	-	-	669,058
Payment in lieu of taxes	344,984	-	-	344,984
Accounts	711	-	120	831
Intergovernmental	331,039	-	726,029	1,057,068
Accrued interest	35,780	15,015	-	50,795
Interfund loans	581,717	-	-	581,717
Prepayments	43,226	-	1,140	44,366
Materials and supplies inventory	21,315	-	1,692	23,007
Inventory held for resale	-	-	8,553	8,553
Total assets	25,337,695	6,233,993	7,569,508	39,141,196
Liabilities:				
Accounts payable	\$ 164,908	\$ -	\$ 26,060	\$ 190,968
Contracts payable	21,005	-	160,636	181,641
Retainage payable	-	-	15,053	15,053
Accrued wages and benefits payable	1,793,408	-	296,475	2,089,883
Pension and post employment				
benefits payable	327,513	-	36,182	363,695
Compensated absences payable	15,313	-	-	15,313
Intergovernmental payable	25,719	-	14,035	39,754
Interfund loans payable	-	-	581,717	581,717
Total liabilities	\$ 2,347,866	\$ -	\$ 1,130,158	\$ 3,478,024
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	6,040,294	1,373,715	471,410	7,885,419
Payment in lieu of taxes levied for the next fiscal year	257,702	-	-	257,702
Delinquent property tax revenue not available	353,756	82,275	27,298	463,329
Income tax revenue not available	136,034	-	-	136,034
Intergovernmental revenue not available	150,121	-	403,990	554,111
Accrued interest not available	17,174	-	-	17,174
Miscellaneous revenue not available	197,458	-	-	197,458
Total deferred inflows of resources	7,152,539	1,455,990	902,698	9,511,227
Fund balances:				
Nonspendable:				
Materials and supplies inventory	21,315	-	1,692	23,007
Prepays	43,226	-	1,140	44,366
Restricted:				
Debt service	-	4,778,003	-	4,778,003
Capital improvements	-	-	5,127,611	5,127,611
Classroom facilities maintenance	-	-	722,204	722,204
Food service operations	-	-	189,235	189,235
Non-public schools	-	-	11,043	11,043
Other purposes	-	-	3,839	3,839
Extracurricular	-	-	33,495	33,495
Committed:				
Capital improvements	-	-	1	1
Student and staff support	687,994	-	-	687,994
Termination benefits	166,689	-	-	166,689
Student instruction	38,126	-	-	38,126
Assigned:				
Student instruction	301,940	-	-	301,940
Student and staff support	201,510	-	-	201,510
Subsequent year's appropriations	7,173,179	-	-	7,173,179
Employee benefits	1,227,622	-	-	1,227,622
Unassigned (deficit)	5,975,689	-	(553,608)	5,422,081
Total fund balances	15,837,290	4,778,003	5,536,652	26,151,945
Total liabilities, deferred inflows and fund balances	\$ 25,337,695	\$ 6,233,993	\$ 7,569,508	\$ 39,141,196

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	26,151,945
<i>Amounts reported for governmental activities on 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.			68,312,339
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	463,329	
Income taxes receivable		136,034	
Accrued interest receivable		17,174	
Intergovernmental receivable		751,569	
Total		1,368,106	1,368,106
Unamortized premiums on bonds issued are not recognized in the funds.			(1,710,990)
Unamortized amounts on refundings are not recognized in the funds.			62,804
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 of resources - pension		3,951,243	
Deferred inflows of resources - pension		(2,250,007)	
Net pension liability		(35,584,609)	
Total		(33,883,373)	(33,883,373)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(288,723)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(36,143,856)	
Certificates of participation		(7,000,000)	
Energy conservation notes		(192,000)	
Capital lease obligation		(81,178)	
Compensated absences		(1,381,343)	
Total		(44,798,377)	(44,798,377)
Net position of governmental activities		\$	15,213,731

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 7,973,338	\$ 2,140,513	\$ 553,131	\$ 10,666,982
Income taxes	1,824,181	-	-	1,824,181
Payment in lieu of taxes	463,932	1,750	-	465,682
Tuition	874,206	-	-	874,206
Charges for services	-	-	203,670	203,670
Earnings on investments	230,217	2,991	59	233,267
Extracurricular	22,029	-	136,130	158,159
Rental income	5,040	-	-	5,040
Contributions and donations	2,751	-	-	2,751
Contract services	2,495	-	-	2,495
Other local revenues	85,326	-	8,471	93,797
Intergovernmental - state	12,615,596	300,708	594,621	13,510,925
Intergovernmental - federal	550,316	780,593	3,293,192	4,624,101
Total revenues	<u>24,649,427</u>	<u>3,226,555</u>	<u>4,789,274</u>	<u>32,665,256</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,379,766	-	796,371	12,176,137
Special	2,253,819	-	1,254,833	3,508,652
Vocational	168,149	-	-	168,149
Other	3,210	-	158,209	161,419
Support services:				
Pupil	989,255	-	43,341	1,032,596
Instructional staff	1,067,093	-	593,842	1,660,935
Board of education	150,788	-	-	150,788
Administration	2,083,711	-	33,926	2,117,637
Fiscal	646,811	31,825	8,211	686,847
Operations and maintenance	1,585,401	-	41,261	1,626,662
Pupil transportation	1,076,246	-	30,837	1,107,083
Central	146,210	-	-	146,210
Operation of non-instructional services:				
Other non-instructional services	-	-	216,087	216,087
Food service operations	-	-	1,172,965	1,172,965
Extracurricular activities	517,323	-	140,972	658,295
Facilities acquisition and construction	161,922	-	2,061,221	2,223,143
Debt service:				
Principal retirement	56,095	540,000	-	596,095
Interest and fiscal charges	505,671	1,342,528	-	1,848,199
Bond issuance costs	-	264,303	-	264,303
Total expenditures	<u>22,791,470</u>	<u>2,178,656</u>	<u>6,552,076</u>	<u>31,522,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,857,957</u>	<u>1,047,899</u>	<u>(1,762,802)</u>	<u>1,143,054</u>
Other financing sources (uses):				
Premium on bonds	-	869,843	-	869,843
Sale of bonds	-	15,000,000	-	15,000,000
Transfers in	-	321,300	-	321,300
Transfers (out)	(321,300)	-	-	(321,300)
Payment to refunding bond escrow agent	-	(15,605,540)	-	(15,605,540)
Total other financing sources (uses)	<u>(321,300)</u>	<u>585,603</u>	<u>-</u>	<u>264,303</u>
Net change in fund balances	1,536,657	1,633,502	(1,762,802)	1,407,357
Fund balances at beginning of year	14,304,428	3,144,501	7,300,419	24,749,348
Decrease in reserve for inventory	(3,795)	-	(965)	(4,760)
Fund balances at end of year	<u>\$ 15,837,290</u>	<u>\$ 4,778,003</u>	<u>\$ 5,536,652</u>	<u>\$ 26,151,945</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

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	\$	1,407,357
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 2,188,712	
Current year depreciation	<u>(2,046,213)</u>	
Total		142,499
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(28,555)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(4,760)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	35,534	
Income taxes	15,501	
Earnings on investments	(3,729)	
Intergovernmental	(1,788,693)	
Miscellaneous	197,458	
Total		<u>(1,543,929)</u>
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		596,095
Issuances of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(15,000,000)
Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets.		
		15,605,540
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		(869,843)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	64,837	
Accreted interest on capital appreciation bonds	(254,071)	
Amortization of bond premiums	55,012	
Amortization of deferred charges	4,915	
Total		<u>(129,307)</u>
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,060,059
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,833,780)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(20,352)</u>
Change in net position of governmental activities	\$	<u>381,024</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 8,617,940	\$ 7,950,000	\$ 7,880,446	\$ (69,554)
Income taxes	1,864,214	1,700,000	1,808,943	108,943
Payment in lieu of taxes	219,319	200,000	376,650	176,650
Tuition	769,499	823,000	874,206	51,206
Earnings on investments	82,245	75,000	151,661	76,661
Rental income	13,159	12,000	7,190	(4,810)
Contributions and donations	419,319	200,000	2,751	(197,249)
Contract services	5,483	5,000	2,495	(2,505)
Other local revenues	76,762	70,000	82,239	12,239
Intergovernmental - state	12,508,576	13,476,588	13,420,311	(56,277)
Intergovernmental - federal	548,298	500,000	550,316	50,316
Total revenues	25,124,814	25,011,588	25,157,208	145,620
Expenditures:				
Current:				
Instruction:				
Regular	11,511,200	13,091,454	11,363,051	1,728,403
Special	2,001,098	2,815,723	2,291,066	524,657
Vocational	113,575	176,225	158,606	17,619
Other	8,078	11,030	3,210	7,820
Support services:				
Pupil	914,474	1,123,950	969,083	154,867
Instructional staff	1,268,372	1,579,969	1,341,657	238,312
Board of education	234,769	256,971	162,288	94,683
Administration	2,346,834	2,549,038	2,257,300	291,738
Fiscal	726,972	791,705	711,486	80,219
Operations and maintenance	2,605,497	3,043,531	1,806,141	1,237,390
Pupil transportation	1,145,523	1,402,920	1,153,457	249,463
Central	120,522	157,405	149,214	8,191
Extracurricular activities	893,388	1,012,803	536,426	476,377
Facilities acquisition and construction	1,348,749	1,354,142	216,849	1,137,293
Debt service:				
Principal	346,750	345,300	344,300	1,000
Interest and fiscal charges	258,583	505,000	498,378	6,622
Total expenditures	25,844,384	30,217,166	23,962,512	6,254,654
Excess (deficiency) of revenues over (under) expenditures	(719,570)	(5,205,578)	1,194,696	6,400,274
Other financing sources (uses):				
Refund of prior year's receipts	(90,000)	(90,000)	(90,000)	-
Transfers (out)	(250,000)	(250,000)	(150,000)	100,000
Advances in	500,000	500,000	309,580	(190,420)
Advances (out)	(500,000)	(500,000)	(583,026)	(83,026)
Sale of capital assets	-	-	38,268	38,268
Total other financing sources (uses)	(340,000)	(340,000)	(475,178)	(135,178)
Net change in fund balance	(1,059,570)	(5,545,578)	719,518	6,265,096
Fund balance at beginning of year	10,690,095	10,690,095	10,690,095	-
Prior year encumbrances appropriated	1,971,445	1,971,445	1,971,445	-
Fund balance at end of year	\$ 11,601,970	\$ 7,115,962	\$ 13,381,058	\$ 6,265,096

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 27,946	\$ 54,992
Receivables:		
Accounts	-	500
Total assets.	27,946	\$ 55,492
Liabilities:		
Due to students.	-	\$ 55,492
Total liabilities	-	\$ 55,492
Net position:		
Held in trust for scholarships	27,946	
Total net position.	\$ 27,946	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Deductions:	
Scholarships awarded	\$ 1,000
Change in net position	(1,000)
Net position at beginning of year.	28,946
Net position at end of year	\$ 27,946

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Circleville City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District employs 99 non-certified and 161 certified employees to provide services to approximately 2,178 students and community groups. The District provides regular instruction, special instruction and vocational programs through the Pickaway-Ross Career and Technology Center. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, pupil transportation, food services, extracurricular activities and non-programmed services. The District cooperates with the Pickaway County Educational Service Center, a separate entity, for curricular services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the 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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2016, the District paid SCOCA and META Solutions \$118,276 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Pickaway County Public Employer Benefits Program (PCPEBP)

During fiscal year 2010, the District joined together with Teays Valley Local School District, Logan Elm Local School District and Westfall Local School District to form the PCPEBP, a new insurance consortium. The PCPEBP is a public entity shared risk pool organized to provide health care and dental insurance benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent designee.

Westfall Local School District serves as fiscal agent for the PCPEBP. To obtain financial information, write Brian Ramsay, Treasurer, Westfall Local School District, 19463 Pherson Pike, Williamsport, OH 43164.

Pickaway-Ross Career and Technology Center

The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Ben VanHorn, Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

PUBLIC ENTITY RISK POOL

Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/ Sheakley UniServe Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by Sheakley UniServe, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the retirement of bonds.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 and current liabilities and deferred inflows 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 economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, payment in lieu of 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 income taxes is recognized in the period in which the income was earned (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 14 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. 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.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of 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 a deferred inflow 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 which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For the District, See Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2016 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2016.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, which are the permanent appropriations, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, if the line item transfer does not exceed \$10,000. All supplemental appropriations were legally enacted. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year. During the year, supplemental appropriations were legally enacted by the Board, none of which were significant.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

F. Cash and Investments

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

During fiscal year 2016, investments were limited to Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) Securities, negotiable certificates of deposit, U.S. Government money market funds, U.S. Treasury discount notes and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2016.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2016 amounted to \$230,217, which includes \$38,706 assigned from other District funds.

An analysis of the District's investments at year end is provided in Note 4.

G. 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 recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government wide financial statements and the purchase method on the fund financial statements. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis and is expensed when purchased.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food, purchased food and items held for resale.

H. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

I. Capital Assets

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 15 years
Buildings and improvements	40 years
Furniture and equipment	5 - 15 years
Vehicles	10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental type activities columns of the statement of net position.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, judgments, net pensions liability, and 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 year. Notes and leases are recognized as a liability on the fund financial statements when due.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, 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.

N. Parochial School

New Hope Christian School operates within the District's boundaries. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. These activities are reported as a governmental activity of the District.

O. Estimates

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

P. Unamortized Bond Premiums and Discounts/Accounting Gain or Loss

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred inflow or deferred outflow of resources.

On the governmental fund financial statements bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes consist of food services and education foundation.

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

R. Interfund Activity

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

S. 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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2016, the District reported a special item of \$1,549,581 related to Ohio Facilities Construction Commission (OFCC) funding. The OFCC State share of the project was awarded at \$27,457,590. However, the actual project costs were \$25,908,009, which resulted in an overstatement of receivables of \$1,549,581. This was considered a special item.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

U. Fair Market Value

The 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 20,850
Title VI-B	121,073
Title I	146,894
Improving teacher quality	159,687
Miscellaneous federal grants	105,104

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Escrow Agents

At year end, \$15,053 was on deposit with WesBanco Bank in relation to the retainage held for the District's Ohio Facilities Construction Commission project. These funds are not included in the "carrying amount of deposits".

At fiscal year end, \$3,495,360 was on deposit with an escrow agent for monies held in relation to the District's sinking fund deposits that are required for the District's Series 2010A bonds (See Note 11.B.) and the District's Certificates of Participation (See Note 11.H.).

These funds are not included in the "carrying amount of deposits".

B. Cash on Hand

At year end, the District had \$350 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$1,693,588. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$1,875,509 of the District’s bank balance of \$2,125,509 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

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

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 770,673	\$ -	\$ -	\$ -	\$ -	\$ 770,673
FHLB	696,115	-	-	696,115	-	-
FHLMC	1,050,581	-	-	-	-	1,050,581
FNMA	6,446,202	-	-	611,685	2,665,716	3,168,801
Negotiable CD's	1,510,173	-	-	-	-	1,510,173
U.S. Government money market	7,152	7,152	-	-	-	-
U.S. Treasury discount notes	1,259,882	1,259,882	-	-	-	-
STAR Ohio	10,085,223	10,085,223	-	-	-	-
Total	\$ 21,826,001	\$ 11,352,257	\$ -	\$ 1,307,800	\$ 2,665,716	\$ 6,500,228

The weighted average maturity of investments is 1.35 years.

The District’s investments in federal agency securities, negotiable certificates of deposit, U.S. Government money markets and U.S. Treasury discount notes are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in federal agency securities, U.S. Treasury discount notes, and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in STAR Ohio and U.S. government money market mutual funds obtained an AAAM money market rating by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, U.S. Government discount notes and U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FFCB	\$ 770,673	3.54
FHLB	696,115	3.19
FHLMC	1,050,581	4.81
FNMA	6,446,202	29.53
Negotiable CD's	1,510,173	6.92
U.S. Government money markets	7,152	0.03
U.S. Treasury discount notes	1,259,882	5.77
STAR Ohio	<u>10,085,223</u>	<u>46.21</u>
Total	<u>\$ 21,826,001</u>	<u>100.00</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2016:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 1,693,588
Investments	21,826,001
Cash with escrow agent	3,510,413
Cash on hand	350
Total	<u>\$ 27,030,352</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 26,947,414
Private-purpose trust fund	27,946
Agency fund	<u>54,992</u>
Total	<u>\$ 27,030,352</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2016 consisted of the following interfund loans receivable and payable, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 581,717</u>

The primary purpose of these interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported in the fund financial statements:

<u>Transfers to bond retirement fund from:</u>	
General fund	<u>\$ 321,300</u>

The primary purpose of these transfers is to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers made in fiscal year 2016 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**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 District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

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

The District receives property taxes from Pickaway County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$793,169 in the general fund, \$215,577 in the bond retirement fund and \$55,909 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$806,169 in the general fund, \$62,302 in the bond retirement fund and \$27,983 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which 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.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 244,998,750	94.82	\$ 245,991,630	93.68
Public utility personal	<u>13,393,790</u>	<u>5.18</u>	<u>16,595,510</u>	<u>6.32</u>
Total	<u>\$ 258,392,540</u>	<u>100.00</u>	<u>\$ 262,587,140</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$61.14		\$61.39	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

In November 2005, the District passed a .75% continuing earned income only tax for general operations of the District. Employers and residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

<u>Governmental activities:</u>	
Property taxes	\$ 9,413,403
Income taxes	669,058
Payment in lieu of taxes	344,984
Accounts	831
Intergovernmental	1,057,068
Accrued interest	<u>50,795</u>
Total	<u>\$ 11,536,139</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement in the general fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$181,895. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2016 was \$127,327, leaving a current book value of \$54,568. A corresponding liability was recorded in the government-wide statement of net position.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 44,058
2018	<u>44,057</u>
Total minimum lease payments	88,115
Less: amount representing interest	<u>(6,937)</u>
Total	<u>\$ 81,178</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,655,929	\$ -	\$ (28,555)	\$ 1,627,374
Construction in progress	<u>12,495,432</u>	<u>-</u>	<u>(12,495,432)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>14,151,361</u>	<u>-</u>	<u>(12,523,987)</u>	<u>1,627,374</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,305,938	516,978	-	4,822,916
Buildings and improvements	50,843,269	13,910,938	-	64,754,207
Furniture and equipment	1,240,927	256,228	(54,886)	1,442,269
Vehicles	<u>1,269,203</u>	<u>-</u>	<u>-</u>	<u>1,269,203</u>
Total capital assets, being depreciated	<u>57,659,337</u>	<u>14,684,144</u>	<u>(54,886)</u>	<u>72,288,595</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(479,171)	(211,679)	-	(690,850)
Buildings and improvements	(1,984,739)	(1,662,394)	-	(3,647,133)
Furniture and equipment	(264,187)	(98,780)	54,886	(308,081)
Vehicles	<u>(884,206)</u>	<u>(73,360)</u>	<u>-</u>	<u>(957,566)</u>
Total accumulated depreciation	<u>(3,612,303)</u>	<u>(2,046,213)</u>	<u>54,886</u>	<u>(5,603,630)</u>
Governmental activities capital assets, net	<u>\$ 68,198,395</u>	<u>\$ 12,637,931</u>	<u>\$(12,523,987)</u>	<u>\$ 68,312,339</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 972,433
Special	275,417
Vocational	14,017
<u>Support services:</u>	
Pupil	81,055
Instructional staff	137,230
Administration	167,392
Operations and maintenance	140,947
Pupil transportation	73,360
<u>Operation of non-instructional services:</u>	
Food service operations	34,241
Other non-instructional services	92,074
Extracurricular	<u>58,047</u>
Total depreciation expense	<u>\$ 2,046,213</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/16</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds:					
Series 2010A Bonds					
Current interest bonds	\$ 11,260,000	\$ -	\$ -	\$ 11,260,000	\$ -
Series 2010B Bonds					
Capital appreciation bonds	307,618	-	(134,616)	173,002	100,097
Accreted interest	772,167	254,071	(405,384)	620,854	359,139
Series 2010C Bonds					
Current interest bonds	15,390,000	-	(15,390,000)	-	-
Series 2014 refunding bonds					
Current interest bonds	9,090,000	-	-	9,090,000	-
Series 2015 refunding bonds					
Current interest bonds	-	8,835,000	-	8,835,000	-
Series 2016 refunding bonds					
Current interest bonds	-	<u>6,165,000</u>	-	<u>6,165,000</u>	-
Total general obligation bonds	<u>36,819,785</u>	<u>15,254,071</u>	<u>(15,930,000)</u>	<u>36,143,856</u>	<u>459,236</u>
Certificates of participation	7,000,000	-	-	7,000,000	-
Energy conservation note	215,000	-	(23,000)	192,000	24,000
Capital lease	114,273	-	(33,095)	81,178	38,972
Net pension obligation	30,800,259	4,784,350	-	35,584,609	-
Compensated absences	<u>1,398,962</u>	<u>168,440</u>	<u>(170,746)</u>	<u>1,396,656</u>	<u>135,662</u>
Total governmental activities long-term liabilities	<u>\$ 76,348,279</u>	<u>\$ 20,206,861</u>	<u>\$ (16,156,841)</u>	80,398,299	<u>\$ 657,870</u>
Add: unamortized premiums				<u>1,710,990</u>	
Total on statement of net position				<u>\$ 82,109,289</u>	

Compensated absences: Compensated absences will be paid from the fund which the employee's salaries are paid which, for the District, is primarily the general fund and the food service fund.

Capital lease: The capital lease obligation will be paid from the general fund. See Note 9 for details.

Net pension obligations: See Note 14 for details on the District's net pension obligation.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- B. Series 2010A Qualified School Construction Bonds** - On August 11, 2010, the District issued \$11,260,000 in general obligation Qualified School Construction Bonds (QSCBs) for the purpose of improving school facilities. Principal and interest payments are made from the bond retirement fund.

The issue is comprised of current interest term bonds, par value \$11,260,000. The interest rate on the current interest bonds is 5.650%.

The QSCBs mature on November 1, 2025 in the amount of \$11,260,000. Interest payments on the current interest bonds are due on May 1 and November 1 of each year. The District receives a direct payment subsidy from the United States Treasury equal to 100% of the lesser of the interest payments on the bonds or the federal tax credits that would otherwise have been available to the holders of the bonds. The District records this subsidy from the federal government in the bond retirement fund to offset interest expenditures on the bonds. The QSCBs are subject to optional redemption and extraordinary optional redemption, at the sole discretion of the District, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date. On November 1 in each year 2011 through 2025, the District is required to make a mandatory deposit into a sinking fund that will provide for payment of the QSCBs upon maturity. The QSCBs are subject to mandatory sinking fund requirements in the following fiscal years and in the following amounts:

<u>Fiscal Year</u>	<u>Amounts Due</u>
2017	\$ 400,000
2018	400,000
2019	1,050,000
2020	1,045,000
2021 - 2025	5,445,000
2026	<u>1,160,000</u>
	<u>\$ 9,500,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010A QSCBs:

<u>Fiscal Year</u>	<u>Current Interest - Series 2010A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 636,190	\$ 636,190
2018	-	636,190	636,190
2019	-	636,190	636,190
2020	-	636,190	636,190
2021	-	636,190	636,190
2022 - 2026	<u>11,260,000</u>	<u>2,862,855</u>	<u>14,122,855</u>
Total	<u>\$ 11,260,000</u>	<u>\$ 6,043,805</u>	<u>\$ 17,303,805</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- C. Series 2010B School Facilities Construction and Improvement Bonds - On August 26, 2010, the District issued \$2,057,618 in general obligation serial bonds, for the purpose of improving school facilities. Principal and interest payments are made from the bond retirement fund.

The issue is comprised of both current interest serial bonds, par value \$1,750,000, and capital appreciation bonds par value \$307,618. The interest rates on the current interest bonds range from 1.75%-3.14%. During fiscal year 2016, one of the capital appreciation bonds matured on November 1, 2015 (stated interest rate 28.695%) at a maturity value of \$540,000. The remaining capital appreciation bonds mature on November 1, 2016 (stated interest rate 28.695%) and November 1, 2017 (stated interest rate 28.695%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,565,000. Total accreted interest of \$620,854 for Series 2010B capital appreciation bonds has been included on the statement of net position at June 30, 2016.

Interest payments on the current interest serial bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2017.

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010B Bonds:

<u>Fiscal Year</u>	<u>Capital Appreciation - Series 2010B</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 100,097	\$ 424,903	\$ 525,000
2018	<u>72,905</u>	<u>427,095</u>	<u>500,000</u>
Total	<u>\$ 173,002</u>	<u>\$ 851,998</u>	<u>\$ 1,025,000</u>

- D. Series 2010C Build America Bonds - On August 26, 2010, the District issued \$24,600,000 in general obligation Build America Bonds (BABs), for the purpose of improving school facilities. Principal and interest payments were made from the bond retirement fund.

During fiscal year 2015, \$9,210,000 of the Series 2010C Build America Bonds were refunded. The unrefunded portion of the issue is comprised of current interest bonds, par value \$15,390,000. The interest rates on the current interest bonds range from 6.05-6.30%. The District receives a direct payment subsidy from the United States Treasury equal to thirty-five percent of the corresponding interest payments due on the BABs. The District records this subsidy from the federal government in the bond retirement fund to offset interest expenditures on the bonds.

Interest payments on the current interest bonds were due on May 1 and November 1 of each year.

During fiscal year 2016, the remaining portion of the Series 2010C Build America Bonds were refunded with the Series 2015 and Series 2016 Refunding Bonds.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. Series 2015 General Obligation Refunding Bonds

On December 17, 2015, the District issued General Obligation Refunding Bonds (Series 2015 refunding bonds). These bonds refunded the \$8,900,000 of the Series 2010C issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position.

This issue is comprised of current interest bonds, present value \$8,835,000 at June 30, 2016. The interest rates on the bonds range from 3.15% - 4.00%. Payments on the current interest bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2037.

The reacquisition price exceeded the net carrying amount of the old debt by \$76,978. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 23 years by \$1,185,760 and resulted in an economic gain of \$881,366.

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2015 refunding bonds:

<u>Fiscal Year</u>	<u>Series 2015 Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 310,603	\$ 310,603
2018	-	310,603	310,603
2019	-	310,603	310,603
2020	-	310,603	310,603
2021	-	310,603	310,603
2022 - 2026	-	1,553,015	1,553,015
2027 - 2031	-	1,553,015	1,553,015
2032 - 2036	5,035,000	1,318,260	6,353,260
2037 - 2038	3,800,000	153,391	3,953,391
Total	\$ 8,835,000	\$ 6,130,696	\$ 14,965,696

F. Series 2016 General Obligation Refunding Bonds

On March 2, 2016, the District issued General Obligation Refunding Bonds (Series 2016 refunding bonds). These bonds refunded the \$6,490,000 of the Series 2010C issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position.

This issue is comprised of current interest bonds, present value \$6,165,000 at June 30, 2016. The interest rates on the bonds is 4.00%. Payments on the current interest bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2040.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$138,562. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 26 years by \$1,102,506 and resulted in an economic gain of \$760,505.

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2016 refunding bonds:

Fiscal Year	Series 2016 Refunding Bonds		
	Principal	Interest	Total
2017	\$ -	\$ 246,600	\$ 246,600
2018	-	246,600	246,600
2019	-	246,600	246,600
2020	-	246,600	246,600
2021	-	246,600	246,600
2022 - 2026	-	1,233,000	1,233,000
2027 - 2031	-	1,233,000	1,233,000
2032 - 2036	-	1,233,000	1,233,000
2037 - 2041	6,165,000	870,700	7,035,700
Total	\$ 6,165,000	\$ 5,802,700	\$ 11,967,700

- G. Series 2014 Refunding Bonds** - On August 12, 2014, the District issued General Obligation Refunding Bonds (Series 2014 refunding bonds). These bonds refunded \$9,210,000 Series 2010C bonds. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position.

The interest rates on the bonds range from 2.00% - 4.00%. Payments on the current interest bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2032.

The net carrying amount of the old debt exceeded the reacquisition price by \$165,609. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 17 years by \$682,033 and resulted in an economic gain of \$515,602.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District’s future annual debt service requirements, including mandatory sinking fund deposits, to maturity for the Series 2014 BABs:

Fiscal Year	Current Interest - Series 2014		
	Principal	Interest	Total
2017	\$ -	\$ 327,175	\$ 327,175
2018	-	327,175	327,175
2019	-	327,175	327,175
2020	-	327,175	327,175
2021	-	327,175	327,175
2022 - 2026	-	1,635,875	1,635,875
2027 - 2031	6,170,000	1,142,963	7,312,963
2032 - 2033	2,920,000	117,800	3,037,800
Total	\$ 9,090,000	\$ 4,532,513	\$ 13,622,513

- H. Series 2010 Certificates of Participation (“COPs”)** - On February 15, 2011, the District issued \$7,000,000 in Certificates of Participation (“COPs”) for the purpose of improving school facilities. Principal and sinking fund payments are made from the bond retirement fund. Interest payments are made from the general fund. The interest rate on the COPs is 7.00%.

The COPs require the District to make mandatory sinking fund deposits beginning December 1, 2011. The sinking fund deposits will result in a balloon principal payment of \$7,000,000 made on December 1, 2026. Sinking fund deposits will be made on December 1, in the following fiscal years and in the following amounts:

Fiscal Year	Amounts Due
2017	\$ 450,621
2018	461,886
2019	473,434
2020	485,269
2021	497,401
2022 - 2026	2,679,867
2027	576,833
Total	\$ 5,625,311

Interest payments on the COPs are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2026.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010 COPs:

Fiscal Year	Series 2010 COPs		
	Principal	Interest	Total
2017	\$ -	\$ 490,000	\$ 490,000
2018	-	490,000	490,000
2019	-	490,000	490,000
2020	-	490,000	490,000
2021	-	490,000	490,000
2022 - 2026	-	2,205,000	2,205,000
2027	7,000,000	490,000	7,490,000
Total	\$ 7,000,000	\$ 5,145,000	\$ 12,145,000

- I. During fiscal year 2008, the District issued energy conservation notes to provide for energy improvements to various District buildings. The notes bear an interest rate of 4.117% and will mature on December 1, 2022. The primary source of repayment of these notes is through energy savings as a result of the improvements. Energy improvements made to the District's buildings from the note issue were for maintenance and repairs and therefore were not capitalized.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the general fund. The unmatured obligations at year end are accounted for in the statement of net position.

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Fiscal Year	Energy Conservation Notes		
	Principal	Interest	Total
2017	\$ 24,000	\$ 7,411	\$ 31,411
2018	25,000	6,402	31,402
2019	26,000	5,352	31,352
2020	27,000	4,261	31,261
2021	29,000	3,108	32,108
2022 - 2023	61,000	2,532	63,532
Total	\$ 192,000	\$ 29,066	\$ 221,066

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

J. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Revised Code Section 133.06(I) permits school districts to incur net indebtedness in excess of the 9% limitation, without obtaining the consent of the State Superintendent and the Tax Commissioner, when bond proceeds will be used exclusively to fund a school district's Commission-required local effort. Accordingly, the proceeds of the bonds will be used exclusively to fund the District's Commission-required local effort, and, as a result, are not subject to State consents/special needs approval.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The administrators are generally granted a minimum of 20 days of vacation per year.

Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Vacation time, which is unused as of the employee's anniversary date, can be carried over to a subsequent year, with a maximum of 3 years accrual (60 days). Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years of Service</u>	<u>Vacation Days</u>
1 - 6	10
7 - 10	15
11 - 15	18
16 - beyond	20

Each employee earns sick leave at the rate of one and quarter days per month. Sick leave shall accumulate during active employment on a continuous year-to-date basis. Maximum sick leave accumulation for all employees is 252 days, if hired prior to July 1, 2013. If hired after July 1, 2013, the maximum sick leave accumulation is 120 days for classified employees.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. If the employee has been employed by the District for a minimum of 10 consecutive years at the time of retirement, they will receive 23.75% of the value for each day of accrued sick leave, not to exceed 62 days. If the employee has less than 10 consecutive years, they will receive pay in accordance with the ORC.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. In addition, the District maintains a \$1,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$15,000,000 for any one accident or loss and \$1,000,000 for excess auto liability.

The District maintains replacement cost insurance on buildings and contents in the amount of \$75,523,000.

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

B. Health Care Benefits

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. The PCPEBP was organized to provide health care benefits to its members.

The District pays 80% of the health care premiums for all full-time certified employees on the family plan and 90% for full time certified employees on the single plan. The District pays 80% of the health care premiums for all full-time classified employees on the family and/or single plan. No benefits are offered to employees working part-time. Part-time is defined as less than five hours per day. The health care coverage is administered by United Healthcare, a third party administrator. The stop-loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

**CIRCLEVILLE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation Rating Program

For fiscal year 2016, the District participated in the OASBO/Sheakley UniServe Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org 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 after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to SERS was \$454,276 for fiscal year 2016. Of this amount, \$27,364 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,605,783 for fiscal year 2016. Of this amount, \$282,500 is reported as pension and postemployment benefits payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 6,144,160	\$ 29,440,449	\$ 35,584,609
Proportion of the net pension liability	0.107677100%	0.106525200%	
Pension expense	\$ 500,158	\$ 1,333,622	\$ 1,833,780

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 96,506	\$ 1,340,948	\$ 1,437,454
Changes in proportionate share	301,937	151,793	453,730
District contributions subsequent to the measurement date	<u>454,276</u>	<u>1,605,783</u>	<u>2,060,059</u>
Total deferred outflows of resources	<u>\$ 852,719</u>	<u>\$ 3,098,524</u>	<u>\$ 3,951,243</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 155,080</u>	<u>\$ 2,094,927</u>	<u>\$ 2,250,007</u>
Total deferred inflows of resources	<u>\$ 155,080</u>	<u>\$ 2,094,927</u>	<u>\$ 2,250,007</u>

\$2,060,059 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ 37,737	\$ (432,784)	\$ (395,047)
2018	37,737	(432,784)	(395,047)
2019	37,735	(432,785)	(395,050)
2020	<u>130,154</u>	<u>696,167</u>	<u>826,321</u>
Total	<u>\$ 243,363</u>	<u>\$ (602,186)</u>	<u>\$ (358,823)</u>

Actuarial Assumptions - SERS

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 22.00 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:

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 8,519,742	\$ 6,144,160	\$ 4,143,724

Actuarial Assumptions - STRS

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 40,895,005	\$ 29,440,449	\$ 19,753,914

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, 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, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$53,831.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$53,831, \$71,376, and \$42,735, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$111,834, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (f) Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 719,518
Net adjustment for revenue accruals	(532,561)
Net adjustment for expenditure accruals	120,110
Net adjustment for other sources/uses	3,878
Funds budgeted elsewhere	3,605
Adjustment for encumbrances	1,222,107
GAAP basis	<u>\$ 1,536,657</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the public school support fund and the self-insurance fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2016.

B. Litigation

The District is not involved in pending litigation that would have a material effect on the financial condition of the District.

C. Foundation Funding

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	360,006
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(652,333)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (292,327)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal year 2011, the District issued \$44,917,618 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$44,917,618 at June 30, 2016.

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 1,117,712
Other governmental	<u>162,537</u>
Total	<u>\$ 1,280,249</u>

NOTE 20 - SUBSEQUENT EVENT

On July 1, 2016, John Davis became the District's Superintendent.

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REQUIRED SUPPLEMENTARY INFORMATION

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.10766710%	0.09980500%	0.09980500%
District's proportionate share of the net pension liability	\$ 6,144,160	\$ 5,051,074	\$ 5,935,083
District's covered-employee payroll	\$ 3,241,646	\$ 2,900,137	\$ 2,771,705
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	214.13%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.10652520%	0.10586152%	0.10586152%
District's proportionate share of the net pension liability	\$ 29,440,449	\$ 25,749,185	\$ 30,672,261
District's covered-employee payroll	\$ 11,114,121	\$ 10,816,123	\$ 11,391,754
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	269.25%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 454,276	\$ 427,249	\$ 401,959	\$ 383,604
Contributions in relation to the contractually required contribution	<u>(454,276)</u>	<u>(427,249)</u>	<u>(401,959)</u>	<u>(383,604)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,244,829	\$ 3,241,646	\$ 2,900,137	\$ 2,771,705
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 421,789	\$ 465,445	\$ 496,819	\$ 318,540	\$ 266,375	\$ 250,418
<u>(421,789)</u>	<u>(465,445)</u>	<u>(496,819)</u>	<u>(318,540)</u>	<u>(266,375)</u>	<u>(250,418)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,135,978	\$ 3,702,824	\$ 3,669,269	\$ 3,237,195	\$ 2,712,576	\$ 2,344,738
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,605,783	\$ 1,555,977	\$ 1,406,096	\$ 1,480,928
Contributions in relation to the contractually required contribution	<u>(1,605,783)</u>	<u>(1,555,977)</u>	<u>(1,406,096)</u>	<u>(1,480,928)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 11,469,879	\$ 11,114,121	\$ 10,816,123	\$ 11,391,754
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>
\$ 1,424,232	\$ 1,427,485	\$ 1,418,677	\$ 1,350,939	\$ 1,272,061	\$ 1,211,367
<u>(1,424,232)</u>	<u>(1,427,485)</u>	<u>(1,418,677)</u>	<u>(1,350,939)</u>	<u>(1,272,061)</u>	<u>(1,211,367)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,955,631	\$ 10,980,654	\$ 10,912,900	\$ 10,391,838	\$ 9,785,085	\$ 9,318,208
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**CIRCLEVILLE CITY 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			
Child Nutrition Cluster:			
(C) (D) School Breakfast Program	10.553	2016	\$ 288,824
(D) (E) National School Lunch Program - Donations	10.555	2016	78,484
(C) (D) National School Lunch Program	10.555	2016	619,829
Total National School Lunch Program			698,313
(C) (D) Summer Food Program	10.559	2016	11,740
Total U.S. Department of Agriculture and Child Nutrition Cluster			998,877
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2015	105,969
Title I Grants to Local Educational Agencies	84.010	2016	587,164
Total Title I Grants to Local Educational Agencies			693,133
Special Education Cluster:			
(F) Special Education_Grants to States	84.027	2015	77,462
(F) Special Education_Grants to States	84.027	2016	474,790
Total Special Education Grants to States			552,252
(F) Special Education_Preschool Grants	84.173	2016	10,712
Total Special Education Cluster			562,964
Improving Teacher Quality State Grants	84.367	2015	15,558
Improving Teacher Quality State Grants	84.367	2016	107,731
Total Improving Teacher Quality State Grants			123,289
Teacher Incentive Grants	84.374A	2015	4,009
Teacher Incentive Grants	84.374A	2016	460,612
Total Teacher Incentive Grants			464,621
21st Century	84.287	2015	27,262
21st Century	84.287	2016	448,744
Total Teacher Incentive Grants			476,006
ARRA - Race to the Top Stimulus, Recovery Act	84.395A	2015	7,164
Total U.S. Department of Education			2,327,177
Total Federal Financial Assistance			\$ 3,326,054

NOTED 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 Circleville City School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Circleville City School District, it is not intended to and does not present the financial position or changes in net position, of the Circleville City School District.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Special Education Cluster" in determining major programs.
- (G) CFR Section 200.414 of the Uniform Guidance 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. The District has elected not to use the 10% de minimis 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***

Circleville City School District
Pickaway County
388 Clark Drive
Circleville, Ohio 43113

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 Circleville City School District, Pickaway 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 Circleville City School District's basic financial statements and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Circleville City 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 Circleville City 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 Circleville City 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
Circleville City School District

Compliance and Other Matters

As part of reasonably assuring whether the Circleville City 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 Circleville City 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 Circleville City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 8, 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**

Circleville City School District
Pickaway County
388 Clark Drive
Circleville, Ohio 43113

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Circleville City 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 Circleville City 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 Circleville City School District's major federal program.

Management's Responsibility

The Circleville City 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 Circleville City School District's compliance for the Circleville City 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 Circleville City 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 Circleville City School District's major program. However, our audit does not provide a legal determination of the Circleville City School District's compliance.

Board of Education
Circleville City School District

Opinion on the Major Federal Program

In our opinion, the Circleville City 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 Circleville City 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 Circleville City 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 Circleville City 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 8, 2016

**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY 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 Program's 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>	Title I Grants to Local Educational Agencies - CDFA #84.010
<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>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

CIRCLEVILLE CITY SCHOOL DISTRICT

PICKAWAY 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
JANUARY 31, 2017**