

COSHOCTON CITY SCHOOL DISTRICT
ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Coshocton, Ohio 43701



Dave Yost • Auditor of State

Board of Education
Coshocton City School District
1207 Cambridge Road
Coshocton, Ohio 43812

We have reviewed the *Independent Auditors' Report* of the Coshocton City School District, Coshocton County, prepared by Wilson, Phillips & Agin, CPA's, 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 Coshocton 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

February 23, 2017

This page intentionally left blank.

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	5
Government-wide Financial Statements:	
Statement of Nets Position.....	16
Statement of Activities	18
Fund Financial Statements:	
Governmental Funds	
Balance Sheet.....	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances.....	22
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	26
Proprietary Funds	
Statement of Fund Net Position	28
Statement of Revenues, Expenditures and Changes in Fund Net Position	29
Statement of Cash Flows.....	30
Fiduciary Funds	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position	32
Notes to the Financial Statements.....	33
Required Supplementary Information.....	73
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.....	76
Independents Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance Required by Uniform Guidance.....	78
Schedule of Findings and Questioned Costs.....	80
Schedule of Federal Awards.....	82
Notes to Schedule of Federal Awards.....	83
Corrective Action Plan.....	84
Schedule of Prior Audit Findings.....	85

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
COSHOCOTON, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Coshocton City School District
Coshocton County
1207 Cambridge Road
Coshocton, Ohio 43812

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 Coshocton City School District, Coshocton County, Ohio as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coshocton City School District, Coshocton County, Ohio as of June 30, 2016, and the respective changes in financial position and , where applicable, cash flows thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with 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 the 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.

Supplemental Information

Our audit was conducted to opine on Coshocton City School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Award Awards present 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 was derived from and relate 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 a report dated December 15, 2016, on our consideration of the Coshocton 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 Coshocton City School District's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
December 15, 2016

THIS PAGE INTENTIONALL LEFT BLANK

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

This discussion and analysis of Coshocton 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 financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- ❑ Net position increased \$1,531,208, or 21% during fiscal year 2016.
- ❑ General revenues accounted for \$15,211,046 in revenue or 68% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,320,181 or 32% of total revenues of \$22,531,227.
- ❑ The District had \$21,000,019 in expenses related to governmental activities; only \$7,320,181 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,211,046 also provided for these programs.
- ❑ The general fund had \$17,767,151 in revenues and \$16,243,222 in expenditures. The general fund's fund balance increased \$1,271,725 to an ending balance of \$2,590,741.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth, and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- ***Governmental Activities*** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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 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 financial statements.

Proprietary Funds – The District uses internal service funds to report activities that provide services for the District's other programs and activities. The District's medical, dental, and prescription drug self insurance program is reported in an internal service fund. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net position for fiscal year 2016 compared to fiscal year 2015.

	Governmental Activities	
	2016	2015
Current and Other Assets	\$15,442,649	\$12,719,007
Capital Assets, Net	23,338,163	24,379,354
Total Assets	<u>38,780,812</u>	<u>37,098,361</u>
Deferred Outflows of Resources	2,454,024	1,689,091
Net Pension Liability	25,653,339	22,821,896
Other Long-term Liabilities	11,571,756	11,629,405
Other Liabilities	2,711,678	2,295,708
Total Liabilities	<u>39,936,773</u>	<u>36,747,009</u>
Deferred Inflows of Resources	7,117,299	9,390,887
Net Position		
Net Investment in Capital Assets	14,607,969	15,586,064
Restricted	1,277,294	1,370,836
Unrestricted	<u>(21,704,499)</u>	<u>(24,307,344)</u>
Total Net Position	<u><u>(\$5,819,236)</u></u>	<u><u>(\$7,350,444)</u></u>

The implementation of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," in fiscal year 2015, significantly revised 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.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

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.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

Changes in Net Position – The following table shows the changes in net position for fiscal year 2016 compared to fiscal year 2015:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,203,945	\$1,086,800	\$117,145
Operating Grants and Contributions	5,198,741	5,895,060	(696,319)
Capital Grants and Contributions	917,495	2,165	915,330
Total Program Revenues	7,320,181	6,984,025	336,156
General Revenues:			
Property Taxes	5,636,209	5,952,753	(316,544)
Intergovernmental, Unrestricted	9,502,950	8,434,901	1,068,049
Other	71,887	131,788	(59,901)
Total General Revenues	15,211,046	14,519,442	691,604
Total Revenues	22,531,227	21,503,467	1,027,760
Program Expenses			
Instruction	13,757,551	14,757,324	(999,773)
Support Services:			
Pupils	627,362	609,858	17,504
Instructional Staff	706,038	1,066,403	(360,365)
Board of Education	186,480	154,710	31,770
Administration	1,293,869	1,344,250	(50,381)
Fiscal Services	489,316	702,734	(213,418)
Business	33,130	115,667	(82,537)
Operation and Maintenance of Plant	1,437,029	1,619,944	(182,915)
Pupil Transportation	387,926	369,241	18,685
Central	183,854	253,751	(69,897)
Operation of Non-Instructional:			
Food Service Operations	849,884	867,499	(17,615)
Community Services	49,130	36,138	12,992
Extracurricular Activities	474,926	457,336	17,590
Interest and Fiscal Charges	523,524	532,579	(9,055)
Total Expenses	21,000,019	22,887,434	(1,887,415)
Change in Net Position	1,531,208	(1,383,967)	2,915,175
Beginning Net Position	(7,350,444)	(5,966,477)	(1,383,967)
Ending Net Position	(\$5,819,236)	(\$7,350,444)	\$1,531,208

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

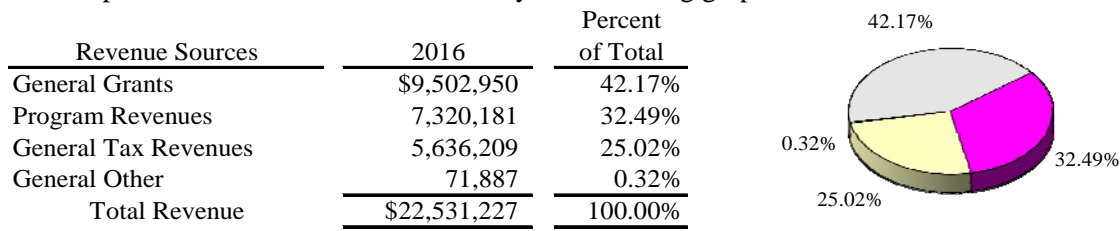
Unaudited

Governmental Activities

Net position of the District's governmental activities increased \$1,531,208. A decrease in Title I Grants resulted in a decrease in operating grants and the associated expenses. A decrease in property taxes can be attributed to a decrease in the amount of taxes available for advance as well as a decrease in the total assessed valuation of property. An increase in State foundation monies resulted in the increase in unrestricted intergovernmental revenues. Capital grants and contributions received in fiscal year 2016 consisted of donations for the installation of a turf football field and planetarium improvements.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 25% of revenues for Coshocton City Schools in fiscal year 2016. The District's reliance upon tax revenues is demonstrated by the following graph:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$5,439,233, which is above last year's balance of \$2,076,402. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase (Decrease)
General	\$2,590,741	\$1,319,016	\$1,271,725
Debt Service	837,915	529,311	308,604
Other Governmental	2,010,577	228,075	1,782,502
Total	<u>\$5,439,233</u>	<u>\$2,076,402</u>	<u>\$3,362,831</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

General Fund – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2016 Revenues	2015 Revenues	Increase (Decrease)
Taxes	\$4,766,717	\$5,290,456	(\$523,739)
Tuition	841,019	730,458	110,561
Investment Earnings	0	1,519	(1,519)
Extracurricular Activities	23,275	23,547	(272)
Class Materials and Fees	31,429	32,852	(1,423)
Rent	76,290	101,740	(25,450)
Intergovernmental - State	12,015,408	10,939,394	1,076,014
All Other Revenue	13,013	1,014	11,999
Total	\$17,767,151	\$17,120,980	\$646,171

General Fund revenues in fiscal year 2016 increased 4% compared to revenues in fiscal year 2015. A decrease in property taxes can be attributed to a decrease in the amount of taxes available for advance as well as a decrease in the total assessed valuation of property. An increase in intergovernmental State revenues can be attributed to an increase in foundation monies received.

	2016 Expenditures	2015 Expenditures	Increase (Decrease)
Instruction	\$11,066,878	\$10,936,244	\$130,634
Supporting Services:			
Pupils	602,658	616,824	(14,166)
Instructional Staff	364,748	431,267	(66,519)
Board of Education	186,480	154,710	31,770
Administration	1,305,043	1,277,597	27,446
Fiscal Services	462,953	640,347	(177,394)
Business	33,640	114,120	(80,480)
Operation and Maintenance of Plant	1,416,637	1,559,288	(142,651)
Pupil Transportation	337,836	276,951	60,885
Central	188,923	229,142	(40,219)
Operation of Non-Instructional:			
Food Service Operations	1,617	268	1,349
Community Services	6,134	6,138	(4)
Extracurricular Activities	269,675	255,451	14,224
Total	\$16,243,222	\$16,498,347	(\$255,125)

Overall, General Fund expenditures remained stable, decreasing \$255,125, or approximately 2%.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

Debt Service Fund – The Debt Service Fund reported an increase in fund balance of 58%. Revenues and expenditures were consistent with the prior year.

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, none significant.

For the General Fund, final budgeted revenues were 8% higher than original estimates. Final budgeted revenues and actual budget basis revenues were not materially different. Final budgeted expenditures were 6% higher than original estimates. Final budgeted and actual budget basis expenditures were not materially different. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016 the District had \$23,338,163 net of accumulated depreciation invested in land, buildings, improvements, machinery, equipment and vehicles. The following table shows fiscal year 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Land	\$652,141	\$652,141	\$0
Land Improvements	1,667,482	1,667,482	0
Buildings and Improvements	27,709,812	27,675,269	34,543
Machinery and Equipment	3,552,326	3,506,851	45,475
Vehicles	968,956	968,956	0
Less: Accumulated Depreciation	(11,212,554)	(10,091,345)	(1,121,209)
Totals	\$23,338,163	\$24,379,354	(\$1,041,191)

Additional information on the District's capital assets can be found in Note 8.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

Debt and Other Long-term Obligations

The following table summarizes the District's debt outstanding as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Governmental Activities:		
General Obligation Bonds:		
School Construction	\$8,845,394	\$8,834,724
Energy Conservation	1,006,000	1,070,000
Bank Loan	130,194	193,290
Net Pension Liability	25,653,339	22,821,896
Compensated Absences	1,590,168	1,531,391
Totals	<u><u>\$37,225,095</u></u>	<u><u>\$34,451,301</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2016, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

ECONOMIC FACTORS

The Coshocton City School District is centrally located within the county and resides in the county seat for Coshocton County. The Coshocton City School District covers 8 square miles and is home to just under 5,000 residents with a median household income of \$31,509 and median home value of \$87,800 for city residents. The city is also home to several major employers including the Coshocton Memorial Hospital, the Coshocton City Schools, Annin Flagmakers, Oxford Mining, Organic Technologies, Novelty Advertising, McWane Ductile, Woodbury Outfitters and MFM Building Products Corp. The city lost its 3rd largest employer in November 2015 with the closing of a local paper mill, West Rock, that has been operating for over 100 years.

The School District relies upon local property taxes and state foundation to fund its General Fund operations. Real Estate taxes represent 22.9% of total revenue and include a five-year emergency operating levy last approved in November of 2013. Assuming passage of the emergency levy renewal in 2018, property tax revenues are expected to grow at an average annual rate of about one percent. This growth is a reflection of the change to projected delinquent tax collections rates from 94% in FY17 to 99% in future years and not a change to overall valuation. Property valuation has not yet been impacted by the closure of West Rock since taxes are collected in arrears. West Rock tax is still being assessed during 2016 with collection of the revenue over the next two fiscal years on both the vacant building and the land value. Any potential demolition of the building structure will impact taxable value; however, as valuation declines the effective millage will increase causing a shifting of the tax burden to other taxpayers.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Unaudited

In addition to these local challenges, another challenge facing the District is the future of state funding. The loss of major employers in recent years has contributed to decreasing student enrollment, which reduces the amount of funding from the state foundation program. State aid accounts for nearly 65 percent of the operating revenue of the district. This dependency on state aid makes the District vulnerable to legislative changes to the funding formula causing instability in predicting this revenue stream. In recent years, however, state aid has grown at an average rate of nearly four percent over the previous five years, with 2016 alone growing over 13 percent. In the upcoming school year, state aid is expected to grow due an increase in the per pupil amount and moving off the funding cap in FY16 to being fully formula funded in FY17.

In conclusion, the Coshocton City School District's management has committed itself to financial prudence in future years. Since personnel services account for more than 73% of annual expenditures; the board and administration remain committed to stretching resources while also maintaining a modest total compensation package for all staff. The goal is a prudent allocation of resources between salary and benefits that will adequately compensate a high quality workforce while balancing relatively flat revenues. In addition, to modest labor increases, the District maintains a conservative approach to discretionary spending that is based on a modified zero base operating unit budget approach.

REQUESTS FOR INFORMATION

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 Felicia Drummey, Coshocton City School District.

This Page Intentionally Left Blank

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Net Position
June 30, 2016

	Governmental Activities	Component Unit Opportunity School
Assets:		
Cash and Cash Equivalents	\$ 8,220,007	\$ 136,645
Receivables:		
Taxes	5,909,950	0
Accounts	52,130	0
Intergovernmental	292,513	34,745
Due from Component Unit	14,447	0
Inventory of Supplies at Cost	2,810	0
Prepaid Items	0	2,276
Restricted Assets:		
Cash and Cash Equivalents	679,927	0
Cash with Fiscal Agent	270,865	0
Non-Depreciable Capital Assets	652,141	0
Depreciable Capital Assets, Net	<u>22,686,022</u>	<u>1,215</u>
Total Assets	<u>38,780,812</u>	<u>174,881</u>
Deferred Outflows of Resources:		
Pension:		
STRS	2,101,198	0
SERS	<u>352,826</u>	<u>0</u>
Total Deferred Outflows of Resources	<u>2,454,024</u>	<u>0</u>
Liabilities:		
Accounts Payable	153,812	0
Accrued Wages and Benefits	1,586,968	0
Intergovernmental Payable	460,367	23,764
Claims Payable	191,342	0
Due to Primary Government	0	14,447
Accrued Interest Payable	48,324	0
Retainage Payable	270,865	0
Long Term Liabilities:		
Due Within One Year	227,233	0
Due in More Than One Year:		
Net Pension Liability	25,653,339	0
Other Amounts Due in More Than One Year	<u>11,344,523</u>	<u>0</u>
Total Liabilities	<u>39,936,773</u>	<u>38,211</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

	Governmental Activities	Component Unit Opportunity School
Deferred Inflows of Resources:		
Property Tax Levy for Next Fiscal Year	5,215,744	0
Pension:		
STRS	1,724,189	0
SERS	177,366	0
Total Deferred Inflows of Resources	7,117,299	0
Net Position:		
Net Investment in Capital Assets	14,607,969	1,215
Restricted For:		
Capital Projects	518,911	0
Other Purposes	758,383	76,508
Unrestricted (Deficit)	(21,704,499)	58,947
Total Net Position	\$ (5,819,236)	\$ 136,670

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Activities

For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 13,757,551	\$ 872,448	\$ 3,865,506	\$ 394,766
Support Services:				
Pupils	627,362	0	3,967	0
Instructional Staff	706,038	0	216,297	0
Board of Education	186,480	0	0	0
Administration	1,293,869	0	46,350	0
Fiscal Services	489,316	0	0	0
Business	33,130	0	0	0
Operation and Maintenance of Plant	1,437,029	131,477	0	0
Pupil Transportation	387,926	0	2,615	0
Central	183,854	0	0	0
Operation of Non-Instructional:				
Food Service Operations	849,884	53,325	742,835	0
Community Services	49,130	0	44,704	0
Extracurricular Activities	474,926	146,695	0	522,729
Interest and Fiscal Charges	523,524	0	276,467	0
Total Primary Government	\$ 21,000,019	\$ 1,203,945	\$ 5,198,741	\$ 917,495
Component Unit:				
Opportunity School	\$ 344,848	\$ 670	\$ 117,550	

General Revenues

Property Taxes Levied for:

 General Purposes

 Special

 Debt Service

 Capital Outlay

Intergovernmental, Unrestricted

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Net (Expense) Revenue and Changes in Net Position	Component Unit
Governmental Activities	Opportunity School
\$ (8,624,831)	
(623,395)	
(489,741)	
(186,480)	
(1,247,519)	
(489,316)	
(33,130)	
(1,305,552)	
(385,311)	
(183,854)	
(53,724)	
(4,426)	
194,498	
(247,057)	
\$ (13,679,838)	
	(226,628)
4,836,539	0
70,831	0
626,461	0
102,378	0
9,502,950	300,486
71,887	176
15,211,046	300,662
1,531,208	74,034
(7,350,444)	62,636
\$ (5,819,236)	\$ 136,670

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Balance Sheet
Governmental Funds
June 30, 2016***

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 3,243,998	\$ 164,507	\$ 2,840,318	\$ 6,248,823
Receivables:				
Taxes	5,066,555	660,459	182,936	5,909,950
Accounts	4,360	0	47,770	52,130
Intergovernmental	0	0	292,513	292,513
Interfund Loans Receivable	488,997	0	0	488,997
Due from Component Unit	0	0	14,447	14,447
Supplies Inventory	0	0	2,810	2,810
Restricted Assets:				
Cash and Cash Equivalents	49,927	630,000	0	679,927
Cash with Fiscal Agent	0	0	270,865	270,865
Total Assets	\$ 8,853,837	\$ 1,454,966	\$ 3,651,659	\$ 13,960,462
Liabilities:				
Accounts Payable	\$ 62,082	\$ 0	\$ 91,680	\$ 153,762
Accrued Wages and Benefits	1,360,541	0	226,427	1,586,968
Intergovernmental Payable	243,320	0	217,047	460,367
Interfund Loans Payable	0	0	488,997	488,997
Accrued Interest Payable	0	5,554	0	5,554
Retainage Payable	0	0	270,865	270,865
Compensated Absences Payable	8,898	0	0	8,898
Total Liabilities	1,674,841	5,554	1,295,016	2,975,411
Deferred Inflows of Resources:				
Unavailable Amounts	131,542	13,466	185,066	330,074
Property Tax Levy for Next Fiscal Year	4,456,713	598,031	161,000	5,215,744
Total Deferred Inflows of Resources	4,588,255	611,497	346,066	5,545,818
Fund Balance:				
Nonspendable	0	0	2,810	2,810
Restricted	49,927	837,915	1,554,249	2,442,091
Committed	0	0	761,294	761,294
Assigned	345,437	0	0	345,437
Unassigned	2,195,377	0	(307,776)	1,887,601
Total Fund Balance	2,590,741	837,915	2,010,577	5,439,233
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,853,837	\$ 1,454,966	\$ 3,651,659	\$ 13,960,462

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

Total Governmental Fund Balances	\$	5,439,233
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		23,338,163
Other long-term resources are not available to pay for current- period expenditures and therefore are deferred in the funds.		330,074
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,454,024	
Deferred Inflows - Pension	(1,901,555)	
Net Pension Liability	<u>(25,653,339)</u>	(25,100,870)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		1,779,792
Long-term liabilities, including bonds and leases payable are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(9,851,394)	
Bank Loan	(130,194)	
Compensated Absences Payable	(1,581,270)	
Accrued Interest Payable	<u>(42,770)</u>	<u>(11,605,628)</u>
<i>Net Position of Governmental Activities</i>	\$	<u>(5,819,236)</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources:				
Taxes	\$ 4,766,717	\$ 618,606	\$ 174,047	\$ 5,559,370
Tuition	841,019	0	0	841,019
Extracurricular Activities	23,275	0	123,420	146,695
Food Services	0	0	53,325	53,325
Class Materials and Fees	31,429	0	0	31,429
Rent	76,290	0	55,187	131,477
Contributions and Donations	0	0	533,335	533,335
Intermediate Sources	0	0	2,000	2,000
Intergovernmental - State	12,015,408	67,182	1,158,704	13,241,294
Intergovernmental - Federal	0	276,467	2,737,373	3,013,840
All Other Revenue	13,013	0	48,268	61,281
Total Revenues	17,767,151	962,255	4,885,659	23,615,065
Expenditures:				
Current:				
Instruction	11,066,878	0	1,345,541	12,412,419
Supporting Services:				
Pupils	602,658	0	2,182	604,840
Instructional Staff	364,748	0	147,975	512,723
Board of Education	186,480	0	0	186,480
Administration	1,305,043	0	36,811	1,341,854
Fiscal Services	462,953	13,300	11,325	487,578
Business	33,640	0	0	33,640
Operation and Maintenance of Plant	1,416,637	0	17,539	1,434,176
Pupil Transportation	337,836	0	2,560	340,396
Central	188,923	0	0	188,923
Operation of Non-Instructional:				
Food Service Operations	1,617	0	787,584	789,201
Community Services	6,134	0	42,312	48,446
Extracurricular Activities	269,675	0	170,484	440,159
Capital Outlay	0	0	784,089	784,089
Debt Service:				
Principal Retirement	0	127,096	0	127,096
Interest and Fiscal Charges	0	513,255	0	513,255
Total Expenditures	16,243,222	653,651	3,348,402	20,245,275
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,523,929	308,604	1,537,257	3,369,790

COSHOCTON CITY SCHOOL DISTRICT, OHIO

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):				
Transfers In	39,999	0	292,203	332,202
Transfers Out	(292,203)	0	(39,999)	(332,202)
Total Other Financing Sources (Uses)	(252,204)	0	252,204	0
Net Change in Fund Balance	1,271,725	308,604	1,789,461	3,369,790
Fund Balance at Beginning of Year	1,319,016	529,311	228,075	2,076,402
Decrease in Inventory	0	0	(6,959)	(6,959)
Fund Balance End of Year	\$ 2,590,741	\$ 837,915	\$ 2,010,577	\$ 5,439,233

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, 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	\$	3,369,790
<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. This is the amount by which depreciation exceeded capital outlays in the current period.		(1,041,191)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,083,838)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,394,851
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,217,482)
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bond Principal Retirement	64,000	
Bank Loan Principal Retirement	63,096	
Amortization of Premium	5,960	
Interest Accretion on Bond	<u>(16,630)</u>	116,426
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		401
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 the governmental funds.		
Change in Compensated Absences Payable	(129,430)	
Change in Supplies Inventory	<u>(6,959)</u>	(136,389)
The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.		<u>128,640</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u>1,531,208</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

COSHOCTON CITY SCHOOL DISTRICT, 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***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 4,397,559	\$ 4,749,998	\$ 4,749,999	\$ 1
Tuition	778,617	841,019	841,019	0
Class Materials and Fees	16,674	18,010	18,010	0
Rent	66,667	72,010	72,010	0
Intergovernmental - State	11,123,892	12,015,409	12,015,408	(1)
All Other Revenues	10,603	11,453	11,447	(6)
Total Revenues	16,394,012	17,707,899	17,707,893	(6)
Expenditures:				
Current:				
Instruction	10,782,080	11,376,849	11,362,426	14,423
Support Services:				
Pupils	578,745	610,670	610,670	0
Instructional Staff	358,108	377,862	377,262	600
Board of Education	186,568	196,860	196,859	1
Administration	1,202,300	1,268,622	1,267,615	1,007
Fiscal Services	450,546	475,399	475,128	271
Business	71,176	75,102	74,914	188
Operation and Maintenance of Plant	1,475,350	1,556,734	1,489,213	67,521
Pupil Transportation	334,945	353,421	341,448	11,973
Central	178,307	188,143	187,612	531
Non-Instructional:				
Food Service Operations	1,532	1,617	1,617	0
Community Services	5,815	6,136	6,136	0
Extracurricular Activities	255,688	269,793	269,793	0
Total Expenditures	15,881,160	16,757,208	16,660,693	96,515
Excess (Deficiency) of Revenues Over (Under) Expenditures	512,852	950,691	1,047,200	96,509

COSHOCTON CITY SCHOOL DISTRICT, OHIO

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Transfers In	0	61,565	61,565	0
Transfers Out	(124,533)	(309,300)	(309,300)	0
Advances In	212,804	635,292	1,194,224	558,932
Advances Out	(679,934)	(274,429)	(274,429)	0
Refund of Prior Year Expenditures	98,443	194,870	194,870	0
Total Other Financing Sources (Uses):	(493,220)	307,998	866,930	558,932
 Net Change in Fund Balance	 19,632	 1,258,689	 1,914,130	 655,441
 Fund Balance at Beginning of Year	 878,715	 878,715	 878,715	 0
Prior Year Encumbrances	78,941	78,941	78,941	0
Fund Balance at End of Year	\$ 977,288	\$ 2,216,345	\$ 2,871,786	\$ 655,441

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Net Position
Proprietary Funds
June 30, 2016***

	Governmental Activities - Internal Service Funds
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,971,184
Total Assets	<u>1,971,184</u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts Payable	50
Claims Payable	191,342
Total Liabilities	<u>191,392</u>
Net Position:	
Unrestricted	1,779,792
Total Net Position	<u>\$ 1,779,792</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016***

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Charges for Services	\$ 2,882,014
Total Operating Revenues	<u>2,882,014</u>
Operating Expenses:	
Contractual Services	<u>2,753,374</u>
Total Operating Expenses	<u>2,753,374</u>
Change in Net Position	128,640
Net Position Beginning of Year	<u>1,651,152</u>
Net Position End of Year	<u>\$ 1,779,792</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2016

	Governmental Activities - Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$2,882,014
Cash Payments for Claims	<u>(2,748,728)</u>
Net Cash Provided by Operating Activities	<u>133,286</u>
Net Increase in Cash and Cash Equivalents	133,286
Cash and Cash Equivalents at Beginning of Year	<u>1,837,898</u>
Cash and Cash Equivalents at End of Year	<u><u>\$1,971,184</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$128,640
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Payable	50
Increase in Claims Payable	<u>4,596</u>
Total Adjustments	<u>4,646</u>
Net Cash Provided by Operating Activities	<u><u>\$133,286</u></u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Net Position
Fiduciary Funds
June 30, 2016***

	Private Purpose Trust	Agency	Total
Assets:			
Cash and Cash Equivalents	\$ 78,119	\$ 51,119	\$ 129,238
Receivables:			
Interest	9	0	9
Restricted Assets:			
Investments	307,383	0	307,383
Total Assets	<u>385,511</u>	<u>51,119</u>	<u>436,630</u>
Liabilities:			
Due to Others	0	790	790
Due to Students	0	50,329	50,329
Total Liabilities	<u>0</u>	<u>51,119</u>	<u>51,119</u>
Net Position:			
Restricted for Scholarships	385,511	0	385,511
Total Net Position	<u>\$ 385,511</u>	<u>\$ 0</u>	<u>\$ 385,511</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016***

	<u>Private Purpose Trust</u>
Additions:	
Investment Earnings:	
Interest	\$ 123
Net Decrease in the Fair Value of Investments	(3,053)
Total Investment Earnings	<u>(2,930)</u>
Total Additions	<u>(2,930)</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>400</u>
Total Deductions	<u>400</u>
Change in Net Position	(3,330)
Net Position at Beginning of Year	<u>388,841</u>
Net Position End of Year	<u><u>\$ 385,511</u></u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coshocton City School District, Ohio (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 accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (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"* in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has one component unit, the Coshocton Opportunity School (the "Opportunity School").

Coshocton City School District participates in three organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Ohio School Board Association Workers' Compensation Group Rating Program, the Coshocton County Joint Vocational School District, Ohio Mid-Eastern Regional Education Service Agency, and the Coshocton County Tax Incentive Review Council. These organizations are presented in Notes 13 and 14 to the basic financial statements.

Discretely Presented Component Unit - The component unit column on the Financial Statements includes the financial data of the District's component unit. It is reported in a separate column to emphasize that it is legally separate from the District.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Coshocton Opportunity School, Coshocton, Ohio (the “Opportunity School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. It is operated under a contract with the Coshocton City School District to provide a safe and supportive learning environment for non-traditional high school students, where a motivating, standards based curriculum will prepare students for employment and lifelong learning. The focus of the curriculum is to meet the requirements for the passage of the Ohio Graduation Test in the areas of reading, mathematics, writing, social studies, and science, and to meet all other requirements for high school graduation. The Opportunity School cannot borrow money without the consent of the District. Additionally, the Opportunity School provides a benefit to the District as the Opportunity School rents space from the District. Based on this relationship between the District and the Opportunity School, the Opportunity School is reflected as a component unit of the District.

The Treasurer of Coshocton City School District serves as Treasurer of the Opportunity School. The Opportunity School operates on a fiscal year ending June 30. Separately issued financial statements can be obtained by contacting Coshocton Opportunity Schools, 1207 Cambridge Road, Coshocton, Ohio 43812.

The accounting policies and financial reporting practices of the District, including the Opportunity School conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District’s expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of “financial flow” (sources, uses and balances of financial resources). The following are the District’s major governmental funds:

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Debt Service Fund – To account for resources that are used for payment of principal, interest, and fiscal charges on general obligation debt.

Proprietary Funds - The proprietary funds are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The District’s internal service fund accounts for premiums and costs associated with a medical, dental, and prescription drug self insurance program.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary 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 therefore not available to support the District’s own programs. The District’s only trust funds are private purpose trusts that account for scholarship programs, gifts and awards for specific students. State law permits the District to appropriate for purposes consistent with the endowment's intent, net appreciation, both realized and unrealized. The District’s agency funds account for various student-managed activity programs and athletic tournament monies. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

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. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2016, but which are not intended to finance fiscal 2016 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, private-purpose trust funds and agency funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2016.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

At the close of each fiscal 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 subsequent fiscal year and need not be reappropriated.

5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

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

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	\$1,271,725
Increase (Decrease):	
Accrued Revenues at June 30, 2016, received during FY 2017	(971,657)
Accrued Revenues at June 30, 2015, received during FY 2016	1,870,671
Accrued Expenditures at June 30, 2016, paid during FY 2017	1,674,841
Accrued Expenditures at June 30, 2015, paid during FY 2016	(1,564,291)
Encumbrances Outstanding	(367,810)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	651
Budget Basis	\$1,914,130

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2016, cash and cash equivalents included amounts in demand deposits, a money market account and short-term certificates of deposit with original maturities of three months or less. The certificates of deposit are considered cash equivalents because they are highly liquid investments.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

H. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1000 and an estimated useful life threshold of five or more years.

1. Property, Plant and Equipment - Governmental Activities

Governmental capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical cost for assets not purchased in recent years) within the governmental activities in the government-wide statement of net position but are not reported in the fund financial statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	30
Building and Improvements	15-30
Machinery and Equipment	5-15
Vehicles	5

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Bank Loan	Bond Retirement Fund
General Obligation Bonds	Bond Retirement Fund
Compensated Absences	General Fund, Food Services Fund, Federal Grants Fund, Public Preschool Program Fund, Title VI-B Fund, Chapter I Fund

K. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method.

Certified employees may earn 15 days of sick leave per year up to a maximum of 240 days. Upon retirement, employees with 10 or more years of service in the Ohio State Teachers Retirement System and 10 or more years of service with the District will receive one-fourth of the accumulated sick leave up to a maximum of 54 days. Upon retirement, employees with 10 or more years of service in the Ohio State Teachers Retirement System but less than 10 years of service with the District will receive one-fourth of the accumulated sick leave up to a maximum of 32 days. Classified employees may earn 15 days of sick leave per year up to a maximum of 220 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 50 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government-wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. 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.

N. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance (Continued)

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. 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 or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit 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 either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

P. Restricted Assets

Restricted cash represents a bond sinking fund account, capital acquisition reserve, and a retainage account.

Q. Estimates

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service fund self insurance program. Operating expenses are the necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

S. 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. The District had no extraordinary or special items during fiscal year 2016.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are explained in Note 9.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2016 of \$3,228 in the District Managed Student Activity Fund, \$298 in the Race to the Top Fund, \$100,235 in the Title VI-B Fund, \$53,812 in the Chapter I Fund, \$171 in the Preschool Grant Fund, \$9,212 in the Improving Teacher Quality Fund, and \$140,820 in the Miscellaneous Federal Grants Fund (special revenue funds) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. Deficits do not exist under the cash basis of accounting.

Compliance - Contrary to ORC Section 5705.39, the District had two funds where appropriations exceeded estimated revenues. Contrary to Ohio Revised Code Section 5705.41(D), the District did not certify certain expenditures as required by Ohio law.

This Space Intentionally Left Blank

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

NOTE 3 – FUND BALANCES

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

Fund Balances	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Supplies Inventory	\$0	\$0	\$2,810	\$2,810
Total Nonspendable	<u>0</u>	<u>0</u>	<u>2,810</u>	<u>2,810</u>
Restricted:				
Food Service Operations	0	0	357,261	357,261
Technology Improvements	0	0	20,720	20,720
Preschool Program	0	0	21,537	21,537
At Risk Student Instruction	0	0	11,210	11,210
Nonpublic School Support	0	0	19,023	19,023
Facilities Maintenance	0	0	548,797	548,797
Debt Service Payments	0	837,915	0	837,915
Capital Acquisition and Improvement	49,927	0	516,025	565,952
Other Purposes	0	0	59,676	59,676
Total Restricted	<u>49,927</u>	<u>837,915</u>	<u>1,554,249</u>	<u>2,442,091</u>
Committed:				
Capital Acquisition and Improvement	0	0	761,294	761,294
Total Committed	<u>0</u>	<u>0</u>	<u>761,294</u>	<u>761,294</u>
Assigned to Other Purposes	345,437	0	0	345,437
Unassigned	2,195,377	0	(307,776)	1,887,601
Total Fund Balances	<u>\$2,590,741</u>	<u>\$837,915</u>	<u>\$2,010,577</u>	<u>\$5,439,233</u>

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- 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
- Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$9,299,962 and the bank balance was \$9,074,927. Federal depository insurance covered \$609,549 of the bank balance and \$8,465,378 was collateralized by the financial institutions' public entity deposit pools in the manner described above.

At year end, the District had \$75 in undeposited cash on hand which is included in the financial statements as part of "Cash and Cash Equivalents."

B. Investments

The District's investments at June 30, 2016 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
Mutual Funds/Stock	<u>\$307,383</u>	N/A	<u>\$307,383</u>	<u>\$0</u>	<u>\$0</u>
Total Investments	<u>\$307,383</u>		<u>\$307,383</u>	<u>\$0</u>	<u>\$0</u>

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 40. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$9,300,037	\$307,383
Cash on Hand	(75)	0
Per GASB Statement No. 3	<u>\$9,299,962</u>	<u>\$307,383</u>

D. Component Unit

At fiscal year end the carrying amount of the Opportunity School's deposits was \$136,645 and the bank balance was \$137,917. The Federal Deposit Insurance Corporation (FDIC) covered the entire bank balance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

This Space Intentionally Left Blank

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 5 - 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 and public utility property located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Coshocton City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 2016 taxes were collected are as follows:

	2015 Second Half Collections	2016 First Half Collections
Agricultural/Residential and Other Real Estate	\$158,482,910	\$156,618,340
Public Utility Personal	9,125,600	8,843,490
Total Assessed Value	<u>\$167,608,510</u>	<u>\$165,461,830</u>
Tax rate per \$1,000 of assessed valuation	\$59.77	\$60.42

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016***

NOTE 6 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accounts, and intergovernmental receivables.

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Following is a summary of interfund receivables/payables for all funds at June 30, 2016:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$488,997	\$0
Other Governmental Funds	0	488,997
Totals	<u>\$488,997</u>	<u>\$488,997</u>

These Interfund Loans are short-term loans to prevent a temporary cash deficit.

Following is a summary of transfers in and out for all funds for fiscal year 2016:

Fund	Transfers In	Transfers Out
General Fund	\$39,999	\$292,203
Other Governmental Funds	292,203	39,999
Totals	<u>\$332,202</u>	<u>\$332,202</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; to transfer capital assets; and 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 allowable under Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2016:

<i>Historical Cost:</i>				
Class	June 30, 2015	Additions	Deletions	June 30, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$652,141	\$0	\$0	\$652,141
<i>Capital assets being depreciated:</i>				
Land Improvements	1,667,482	0	0	1,667,482
Buildings and Improvements	27,675,269	34,543	0	27,709,812
Machinery and Equipment	3,506,851	45,475	0	3,552,326
Vehicles	968,956	0	0	968,956
Total Cost	<u>\$34,470,699</u>	<u>\$80,018</u>	<u>\$0</u>	<u>\$34,550,717</u>
<i>Accumulated Depreciation:</i>				
Class	June 30, 2015	Additions	Deletions	June 30, 2016
Land Improvements	(\$1,005,427)	(\$65,427)	\$0	(\$1,070,854)
Buildings and Improvements	(6,994,758)	(594,912)	0	(7,589,670)
Machinery and Equipment	(1,536,949)	(397,457)	0	(1,934,406)
Vehicles	(554,211)	(63,413)	0	(617,624)
Total Depreciation	<u>(\$10,091,345)</u>	<u>(\$1,121,209) *</u>	<u>\$0</u>	<u>(\$11,212,554)</u>
<i>Net Value:</i>	<u>\$24,379,354</u>			<u>\$23,338,163</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$746,620
Support Services:	
Pupils	1,127
Instructional Staff	198,612
Administration	4,051
Fiscal Services	664
Operation and Maintenance of Plant	7,642
Transportation	65,746
Operation of Non-Instructional:	
Food Service Operations	61,462
Extracurricular Activities	35,285
Total Depreciation Expense	<u>\$1,121,209</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016***

NOTE 8 - CAPITAL ASSETS (Continued)

B. Component Unit Capital Assets

Summary by category at June 30, 2016:

<u>Class</u>	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Furniture and Equipment	\$168,357	\$1,141	(\$10,203)	\$159,295
Accumulated Depreciation	(165,965)	(2,318)	10,203	(158,080)
<i>Net Value:</i>	<u>\$2,392</u>	<u>(\$1,177)</u>	<u>\$0</u>	<u>\$1,215</u>

This Space Intentionally Left Blank

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 9- DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. Net Pension Liability

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

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

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

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

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016***

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary. One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$292,594 for fiscal year 2016.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

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.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent 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 \$1,102,257 for fiscal year 2016. Of this amount, \$174,416 is reported as an intergovernmental payable.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016***

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

C. 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	\$3,740,677	\$21,912,662	\$25,653,339
Proportion of the Net Pension Liability -2016	0.0655558%	0.0792872%	
Proportion of the Net Pension Liability -2015	<u>0.0667630%</u>	<u>0.0799354%</u>	
Percentage Change	<u>(0.0012072%)</u>	<u>(0.00064821%)</u>	
Pension Expense	\$220,322	\$997,160	\$1,217,482

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	\$60,232	\$998,941	\$1,059,173
School District contributions subsequent to the measurement date	<u>292,594</u>	<u>1,102,257</u>	<u>1,394,851</u>
Total Deferred Outflows of Resources	<u>\$352,826</u>	<u>\$2,101,198</u>	<u>\$2,454,024</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$123,942	\$1,575,935	\$1,699,877
Changes in proportion share	<u>53,424</u>	<u>148,254</u>	<u>201,678</u>
Total Deferred Inflows of Resources	<u>\$177,366</u>	<u>\$1,724,189</u>	<u>\$1,901,555</u>

\$1,394,851 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:			
2016	(\$62,077)	(\$392,701)	(\$454,778)
2017	(62,077)	(392,701)	(454,778)
2018	(62,363)	(392,699)	(455,062)
2019	<u>69,383</u>	<u>452,853</u>	<u>522,236</u>
Total	<u>(\$117,134)</u>	<u>(\$725,248)</u>	<u>(\$842,382)</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (SERS)

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

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

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

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

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	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>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$5,186,975	\$3,740,677	\$2,522,775

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

State Teachers Retirement System (STRS)

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

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

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

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

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

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$30,438,342	\$21,912,662	\$14,702,930

This space intentionally left blank.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2016, no percentage of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount (\$23,000 for 2016), pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$34,837, \$50,725, and \$35,667 respectively; which were equal to the required contributions for each year.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio allocated employer contributions equal to zero percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$80,751 respectively; which were equal to the required contributions for each year.

This space intentionally left blank.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016***

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in long term debt of the District for the year ended June 30, 2016 is as follows:

		Balance			Balance	Amount Due
		June 30, 2015	Additions	Deductions	June 30, 2016	Within One Year
Governmental Activities:						
General Obligation Bonds:						
School Construction	2011 2.00 - 6.27%	\$8,600,000	\$0	\$0	\$8,600,000	\$0
Energy Conservation	2012 2.97%	400,000	0	(26,000)	374,000	26,000
Energy Conservation	2014 3.65%	670,000	0	(38,000)	632,000	40,000
Bond Premium		166,869	0	(5,960)	160,909	0
Interest Accretion		67,855	16,630	0	84,485	0
Total General Obligation Bonds		<u>9,904,724</u>	<u>16,630</u>	<u>(69,960)</u>	<u>9,851,394</u>	<u>66,000</u>
Bank Loan:						
School Bus Purchase	2014 2.67%	193,290	0	(63,096)	130,194	64,421
Net Pension Liability:						
STRS		19,443,059	2,469,603	0	21,912,662	0
SERS		3,378,837	361,840	0	3,740,677	0
Total Net Pension Liability:		<u>22,821,896</u>	<u>2,831,443</u>	<u>0</u>	<u>25,653,339</u>	<u>0</u>
Compensated Absences		1,531,391	138,328	(79,551)	1,590,168	96,812
Total Governmental Activities		<u>\$34,451,301</u>	<u>\$2,986,401</u>	<u>(\$212,607)</u>	<u>\$37,225,095</u>	<u>\$227,233</u>

In fiscal year 2011 the District issued General Obligation Bonds in the amount of \$9,445,000 (School Improvement Bonds, Series 2010) to finance the construction of a new elementary school building. In fiscal years 2012 and 2014 the District issued General Obligation Bonds in the amount of \$448,691 (Energy Conservation Improvement Bonds, Series 2012) and \$722,565 (Energy Conservation Improvement Bonds, Series 2014), respectively, to finance the installation, modification and remodeling of school buildings to conserve energy. Payments of principal and interest on the bonds are recorded as expenditures in the Debt Service Fund.

This Space Intentionally Left Blank

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2016 follows:

Years	General Obligation Bonds		Bank Loan	
	Principal	Interest	Principal	Interest
2017	\$66,000	\$507,019	\$64,421	\$2,734
2018	69,000	504,753	65,773	1,282
2019	72,000	502,386	0	0
2020	75,000	499,915	0	0
2021	78,000	497,341	0	0
2022-2026	397,000	2,204,039	0	0
2027-2031	4,819,000	2,057,800	0	0
2032-2036	1,200,000	1,085,628	0	0
2037-2041	1,450,000	697,842	0	0
2042-2045	1,380,000	220,248	0	0
Totals	<u>\$9,606,000</u>	<u>\$8,776,971</u>	<u>\$130,194</u>	<u>\$4,016</u>

NOTE 12 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into a capital acquisition reserve. During the fiscal year ended June 30, 2016, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2015	\$0
Current Year Set-Aside Requirement	272,512
Current Year Offset Credits	(90,792)
Qualifying Disbursements	(131,793)
Total	<u>\$49,927</u>
Set-aside Reserve Balance June 30, 2016	<u>\$49,927</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 13 - RISK MANAGEMENT

A. Insurance Purchasing Pool

Sheakley Uniserve Workers' Compensation Group Rating Program - The School District participates in the Ohio School Board Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-elect and the Immediate Past President of the OSBA. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2016 the District contracted for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Ohio School Plan	General Liability Coverage	Not Applicable
Ohio School Plan	Employers' Liability	Not Applicable
Ohio School Plan	Fiduciary Liability Coverage	\$2,500
Ohio School Plan	Legal Liability Coverage	\$2,500
Ohio School Plan	Violence Coverage	Not Applicable
Ohio School Plan	Automobile	\$250 Comprehensive; \$500 Collision
Ohio School Plan	Buses	\$1,000 Comprehensive; \$1,000 Collision
Ohio School Plan	Property Coverage	\$1,000
Ohio School Plan	Crime Coverage	\$1,000
Ohio School Plan	Cyber Coverage	Not Applicable
Ohio School Plan	Pollution Coverage	Not Applicable

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District also provides life insurance and accidental death and dismemberment insurance to employees through American United Life Insurance Company in the amount of \$25,000 for both certified employees and classified employees working 25 hours or more per week. Administrative employees receive a policy amount that is 1 ½ times their annual salary.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016***

NOTE 13 - RISK MANAGEMENT (Continued)

B. Other Insurance (Continued)

The District also maintains a limited risk comprehensive health, dental and prescription insurance program for employees. Premiums are paid to a third party administrator, Medical Mutual Insurance Company. The claims are processed by the third party administrator and monitored by the District in conjunction with the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. The outstanding claims at June 30, 2016 for the self-insurance program amounted to \$191,342.

The agreement with Medical Mutual Insurance Company requires either party to provide 90 days advance notice to terminate the relationship. Upon termination of the agreement, Medical Mutual Insurance Company shall furnish claims payment services to those claims for which it had received complete information prior to the termination date and at the same charges as were in effect under the agreement unless the School District notifies Medical Mutual Insurance Company in writing at the time of such termination that such services are not required by the District.

Upon termination Medical Mutual Insurance Company shall forward to the District such claims file and other records as the School District may reasonably require for the administration of the Plan or any plan adopted in its place.

The claims liability of \$191,342 reported in the fund at June 30, 2016 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in fiscal 2016 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2015	\$ 146,985	\$ 3,104,691	\$ (3,064,930)	\$ 186,746
2016	186,746	2,753,324	(2,748,728)	191,342

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Coshocton County Career Center School District

The Coshocton County Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and career technical educational needs of students. The Career Center Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center Board of Education is responsible for approving its own budgets, appointing personnel, as well as accounting and finance related activities. The Coshocton City School District students may attend the Joint Vocational School. Each participating School District's control is limited to its representation on the Career Center School Board of Education. During fiscal year 2016, no monies were paid to the Career Center School.

B. Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of twenty-one regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio School Districts. Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by forty-seven member school districts in eleven different Ohio counties. The member school districts are comprised of public school districts and educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During fiscal year 2016, \$65,197 was paid to OME-RESA for various services.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Coshocton County Tax Incentive Review Council

The Coshocton County Tax Incentive Review Council (CCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to state statute. CCTIRC has 19 members, consisting of three members appointed by the County Commissioners, three members appointed by municipal corporations, eight members appointed by township trustees, one member from the county auditor's office and four members appointed by boards of education located within the county. CCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the CCTIRC is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2016 no monies were paid to the CCTIRC.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state 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 agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

B. Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2016.

C. School Foundation

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016

NOTE 16 – SIGNIFICANT 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 June 30, 2016 the District had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$367,952
Other Governmental Funds	<u>539,448</u>
Total Governmental Funds	<u><u>\$907,400</u></u>

NOTE 17 – RELATED PARTY TRANSACTIONS

A. Operating Lease Agreement

The Coshocton Opportunity School leases portions of a building from the District. The lease was entered into on July 1, 2015 and ending June 30, 2018. The Opportunity School annually pays the District \$1,200 per enrolled student in equal monthly installments. For fiscal year 2016 the Opportunity School paid the District a total of \$48,816.

B. Service Agreement

In fiscal year 2016 the Opportunity School paid the District \$220,476 for services provided by the District to the Opportunity School. In addition, at fiscal year end, the Opportunity School had an outstanding payable of \$14,447 to the District for services provided.

REQUIRED SUPPLEMENTAL INFORMATION

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Schedule of District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years***

State Teachers Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0799354%	0.0792872%
District's proportionate share of the net pension liability (asset)	\$19,443,059	\$21,912,662
District's covered-employee payroll	\$8,075,146	\$8,658,329
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	240.78%	253.08%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	72.10%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0667630%	0.0655558%
District's proportionate share of the net pension liability (asset)	\$3,378,837	\$3,740,677
District's covered-employee payroll	\$1,951,010	\$1,980,159
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.18%	188.91%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	69.16%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statements 68 in 2015.

Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Schedule of District Contributions Last Three Fiscal Years

State Teachers Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$1,049,769	\$1,212,166	\$1,102,257
Contributions in relation to the contractually required contribution	<u>1,049,769</u>	<u>1,212,166</u>	<u>1,102,257</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$8,075,146	\$8,658,329	\$7,873,264
Contributions as a percentage of covered-employee payroll	13.00%	14.00%	14.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$270,410	\$260,985	\$292,594
Contributions in relation to the contractually required contribution	<u>270,410</u>	<u>260,985</u>	<u>292,594</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$1,951,010	\$1,980,159	\$2,089,957
Contributions as a percentage of covered-employee payroll	13.86%	13.18%	14.00%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.

Information prior to 2014 is not available.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Coshocton City School District
Coshocton County
1207 Cambridge Road
Coshocton, Ohio 43812

To the Board of Education:

We have audited, in accordance with auditing standards general 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 Coshocton City School District, Coshocton County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Coshocton 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 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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coshocton 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc..
Zanesville, Ohio
December 15, 2016

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Coshocton City School District
Coshocton County
1207 Cambridge Road
Coshocton, Ohio 43812

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Coshocton 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 each of the Coshocton City School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Coshocton City School District's major federal programs.

Management's Responsibility

The Coshocton 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 programs.

Auditor's Responsibility

Our responsibility is to opine on the Coshocton City School District's compliance for each of the Coshocton City School District's major federal programs 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 Coshocton City School District's compliance with these 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 District's major programs. However, our audit does not provide a legal determination on the District's compliance.

Opinion

In our opinion, the Coshocton City School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying Schedule of Findings as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the District's response and accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The Coshocton 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 Coshocton City School District's internal control over compliance with the applicable requirements that could directly and materially affect on 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 Coshocton 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 the 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. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-001.

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
December 15, 2016

**COSHOCTON CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
2 CFR SECTION 200.515
June 30, 2016**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	Yes
(d)(1)(vii)	Major Programs:	Title 1, CFDA #84.10 Title VI-B, CDFA #84.027 Special Ed. Preschool, CFDA #84.173\ Nutrition, CFDA #10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$750,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee under 2 CFR 200.520?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE

**COSHOCTON CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS (CONTINUED)
2 CFR SECTION 200.515
June 30, 2016**

3. Findings and Questioned Costs for Federal Awards

Material Weakness and Noncompliance – Section 200.327 Financial Reporting

Finding Number 2016-001

CFDA Title and Number: Title 1 Grants, CFDA #84.010, Special Education Grants, CFDA # 84.027, 84.173

Federal Award Number/Year: 2015/2016

Federal Agency: U.S. Department of Education

Pass-Through Agency: Ohio Department of Education

Repeat Finding from Prior Audit? YES Finding Number 2015-003

2 CFR Section 3474.1 ED Adoption of 2 CFR Section 200 gives regulatory effect to the Department of Education for 2 CFR Section 200.327 which states that unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved governmentwide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequently reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

The District is a sub-grantee of the Ohio Department of Education. The Title I Part A and Special Education grants are included in the CCIP Consolidated Funding. The Federal Expenditure Report (FER) was due September 30, 2016 and was not filed until November 16, 2016.

The District should review grant reporting guidelines to determine the deadline for filing expenditure reports. Failure to provide the FER could result in the refunding of awarded funds.

Official's Response: See Corrective Action Plan.

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements	Pass Through to Subrecipients
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>							
Pass through Ohio Department of Education							
Nutrition Cluster							
National School Breakfast Program	N/A	10.553	124,146	6,279	124,146	6,279	-
National School Lunch Program	N/A	10.555	684,510	34,757	684,510	34,757	-
Total Nutrition Cluster			808,656	41,036	808,656	41,036	-
Fresh Fruit and Vegetable Program	N/A	10.582	4,919	-	4,919	-	-
Total U.S. Department of Agriculture			813,575	41,036	813,575	41,036	-
<u>U.S. DEPARTMENT OF EDUCATION:</u>							
Pass through Ohio Department of Education							
Title I Cluster:							
Title I Educationally Deprived Children	C1-S1-2015	84.010	91,184	-	51,737	-	-
	C1-S1-2016		568,391	-	510,877	-	-
Total Title I Cluster			659,575	-	562,614	-	-
Special Education Cluster (IDEA):							
Title VI-B Special Education Assistance	6B-SF-2015	84.027	171,480	-	32,768	-	-
	6B-SF-2016		368,351	-	376,018	-	-
Total VI-B Special Education Assistance			539,831	-	408,786	-	-
Special Education Preschool Grants	6B-SF-2015	84.173	4,988	-	1,693	-	-
	6B-SF-2016		21,023	-	21,023	-	-
Total Special Education Preschool Grants			26,011	-	22,716	-	-
Total Special Education Cluster (IDEA)			565,842	-	431,502	-	-
Rural and Low Income		2015 84.358	20,255	-	15,734	-	-
		2016	19,004	-	19,002	-	-
Total Rural and Low Income			39,259	-	34,736	-	-
Improving Teacher Quality	TR-S1-2015	84.367	30,437	-	7,442	-	-
	TR-S1-2016		69,585	-	69,585	-	-
Total Improving Teacher Quality			100,022	-	77,027	-	-
Teacher Incentive Fund (TIF) Cluster:							
Teacher Incentive Fund		2015 84.374	113,074	-	-	-	-
TIF-Year 4		2014	22,336	-	-	-	-
TIF-Year 5		2015	-	-	28,109	-	-
TIF-Year 5 Supplemental		2015	-	-	15,879	-	-
TIF-Year 6 Operating		2016	96,870	-	97,279	-	-
Total Teacher Incentive Fund (TIF)			232,280	-	141,267	-	-
ARRA-Teacher Incentive Fund, Recovery Act							
OTIF Incentive Awards		2016 84.385	145,000	-	145,000	-	-
TIF-Year 4 Supplemental		2014	30,316	-	-	-	-
Total ARRA-Teacher Incentive Fund, Recovery Act			175,316	-	145,000	-	-
Total Teacher Incentive Fund (TIF) Cluster			407,596	-	286,267	-	-
ARRA-Race-to-the-Top Incentive Grants, Recovery Act							
Race to the Top		2015 84.395	36,345	-	-	-	-
Race to the Top		2014	34,342	-	-	-	-
Total ARRA-Race-to-the-Top Incentive Grants, Recovery Act			70,687	-	-	-	-
Total U.S. Department of Education			1,842,981 #	-	1,392,146	-	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>							
Pass through Ohio Department of DD							
CAFS - Medical Assistance	n/a	93.778	50,932	-	15,844	-	-
Total U.S. Department of Health and Human Services			50,932	-	15,844	-	-
Total Federal Awards Expenditures			2,707,488	41,036	2,221,565	41,036	-

See notes to Schedule of Federal Awards Expenditures.

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Coshocton City School District's under programs of the federal government for the year ended June 30, 2016. 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 only presents a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE B - GENERAL

Receipts and Expenditures reported on the Schedule are reported on the cash basis of accounting. Such receipts and expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

The District has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The School District passes-through certain Federal assistance received from the U.S. Department of Education to other governments or not-for-profit agencies (subrecipients). As described in Note B, the School District records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under the Uniform Guidance, the School District is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved. There were no subrecipients in fiscal year ending June 30, 2016.

NOTES D – CHILD NUTRITION CLUSTER

Coshocton City School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on the Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

Coshocton City School District reports commodities on the Schedule at fair value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR Section 200.511(c)
June 30, 2016**

Finding 2016-001

Corrective Action Plan:

The District relies on the authoritative guidance and follow through provided by the Ohio Department of Education to ensure uniform application of the grants management. The District is currently working on a due date schedule for all reports that need to be filed for FER's.

Anticipated Completion Date: Immediately

Responsible Person: Felicia Drummey, Treasurer

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	Corrections to payroll under Master Agreement	Yes	Finding No Longer Valid
2015-002	34 CFR Part 74.28 Period of Availability	Yes	Finding No Longer Valid
2015-003	32 CFR 80.41 (a) Reports not filed as required	No	Partially Corrected Repeated as Finding 2016-001
2015-004	Significant Deficiency/ Noncompliance Policy passed to ensure security of tests	Yes	Finding No Longer Valid

This page intentionally left blank.



Dave Yost • Auditor of State

COSHOCTON CITY SCHOOL DISTRICT

COSHOCTON 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
MARCH 7, 2017**