

REYNOLDSBURG CITY SCHOOL DISTRICT

FRANKLIN COUNTY

AUDIT REPORT

For the Year Ended June 30, 2016





Dave Yost • Auditor of State

Board of Education
Reynoldsburg City School District
7244 East Main Street
Reynoldsburg, Ohio 43068

We have reviewed the *Report of Independent Auditors* of the Reynoldsburg City School District, Franklin County, prepared by Charles E. Harris & Associates, 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 Reynoldsburg 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

April 24, 2017

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
AUDIT REPORT
For the Year Ended June 30, 2016**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Reynoldsburg City School District
Franklin County
7244 East Main Street
Reynoldsburg, Ohio 43068

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Reynoldsburg City School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise 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 the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Reynoldsburg City School District as of June 30, 2016, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the 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 Information

We applied no procedures to Management's Discussion & Analysis. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 16, 2016

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This discussion and analysis of the Reynoldsburg City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year are as follows:

- Net Position of the District increased by approximately \$10.3 million, or 23.0%, in comparison with the prior fiscal year. The fund most affected by the increase in cash and cash equivalents was the General.
- The District's general receipts are primarily property taxes and unrestricted grants and entitlements. These receipts represent respectively 33.3% and 42.8% of the total cash received for Governmental activities during the year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was approximately \$23.5 million.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the modified cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide additional explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on the modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid, with the exception of investment purchases and sales of investments.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

As a result of using the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the District as a Whole

The statement of net position and the statement of activities reflect how the District did financially during the fiscal year, within the limitations of the modified cash basis of accounting. The statement of net position presents the cash balances and investments of the Governmental activities of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each Governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, all of the District's activities are classified as Governmental. The Governmental activities of the District include instruction, support services, extracurricular activities, food service, facilities acquisition and construction, and other non-instructional services. State and federal grants and income and property taxes finance most of these activities. Benefits provided through Governmental activities are not necessarily paid for by the people receiving them.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into three categories: governmental, proprietary and fiduciary.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major Governmental funds are the General Fund and the Debt Service Fund. The programs reported in Governmental funds are closely related to those reported in the Governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the Governmental fund financial statements.

Proprietary Funds – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The District has no enterprise funds. When the services are provided to other departments of the District, the service is reported as an internal service fund. The District has one internal service fund to account for self-insurance activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the District-wide financial statements because the resources of these funds are not available to support the District's programs.

District-wide Financial Analysis

The table below provides a summary of the District's modified cash basis net position for 2016 and 2015.

	2016	Restated 2015	Change
Assets			
Cash and Investments	\$ 55,065,650	\$ 44,772,207	22.99%
Total Assets	<u>55,065,650</u>	<u>44,772,207</u>	22.99%
Net Position			
Restricted	12,304,573	12,884,028	-4.50%
Unrestricted	42,761,077	31,888,179	34.10%
Total Net Position	<u>\$ 55,065,650</u>	<u>\$ 44,772,207</u>	22.99%

The significant increases in cash and investments and unrestricted net position are primarily the result of receipts exceeding disbursements in the District's General Fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The table below shows the change in modified cash basis net position for fiscal years 2016 and 2015.

	2016	Restated 2015	Percent Change
Program Receipts			
Charges for Services and Sales	\$ 6,166,791	\$ 5,880,070	4.88%
Operating Grants and Contributions	7,244,340	19,560,826	-62.97%
General Receipts			
Property Taxes	30,247,921	30,213,320	0.11%
Income Taxes	4,991,327	4,924,738	1.35%
Payment in Lieu of Taxes	2,169,989	1,520,895	42.68%
Grants and Entitlements	38,795,725	36,601,302	6.00%
Sale of Refunding Bonds and Related Premium	-	76,548,162	-100.00%
Investment Earnings	134,657	48,747	176.24%
Miscellaneous	1,051,958	758,684	38.66%
Total Receipts	<u>90,802,708</u>	<u>176,056,744</u>	-48.42%
Program Disbursements			
Instructional	39,259,520	40,141,542	-2.20%
Support Services	26,121,579	27,906,216	-6.40%
Non-instructional	3,876,191	14,366,429	-73.02%
Extracurricular Activities	1,095,922	1,016,632	7.80%
Facilities Acquisition and Construction	982,729	143,871	583.06%
Debt Service			
Principal	4,370,000	22,695,000	-80.74%
Interest and Fiscal Charges	4,322,874	3,639,188	18.79%
SWAP Termination Payment	-	4,402,514	-100.00%
Repayment of Debt Judgements	480,450	363,741	32.09%
Payment to Refunded Bonds Escrow	-	54,463,667	-100.00%
Total Disbursements	<u>80,509,265</u>	<u>169,138,800</u>	-52.40%
Change in Net Position	<u>10,293,443</u>	<u>6,917,944</u>	
Net Position at Beginning of Year, Restated	<u>44,772,207</u>	<u>37,854,263</u>	
Net Position at End of Year	<u>\$ 55,065,650</u>	<u>\$ 44,772,207</u>	

The significant decreases in Operating Grants and Contributions and Non-instructional disbursements are primarily the result of decreased activity in the Straight A Grant Fund.

The significant decreases in Sale of Refunding Bonds and Related Premium and Debt Service are the result of the District issuing refunding bonds during the fiscal year 2015.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

	Total Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2016	Net Cost of Services 2015
Program expenses				
Instructional	\$ 39,259,520	\$ 40,141,542	\$ 31,812,915	\$ 31,869,269
Support Services	26,121,579	27,906,216	25,145,224	26,492,899
Non-instructional	3,876,191	14,366,429	(437,373)	(778,525)
Extracurricular Activities	1,095,922	1,016,632	421,315	406,280
Facilities Acquisition and Construction	982,729	143,871	982,729	143,871
Debt Service				
Principal	4,370,000	22,695,000	4,370,000	22,695,000
Interest and Fiscal Charges	4,322,874	4,002,929	4,322,874	4,002,929
SWAP Termination Payment	-	4,402,514	-	4,402,514
Repayment of Debt Judgements	480,450	-	480,450	-
Payment to Refunded Bond Escrow	-	54,463,667	-	54,463,667
Total	<u>\$ 80,509,265</u>	<u>\$ 169,138,800</u>	<u>\$ 67,098,134</u>	<u>\$ 143,697,904</u>

The dependence upon tax and other general revenues is apparent, as 81 percent of instructional activities are supported through taxes and other general revenues. For all Governmental activities, support from general receipts is 83 percent. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

The District's Funds

The District's Governmental funds reported a combined fund balance of approximately \$43.6 million.

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	Restated Fund Balance June 30, 2015	Increase/ (Decrease)
Major Funds:			
General	\$ 24,539,832	\$ 17,571,156	\$ 6,968,676
Debt Service	5,067,100	4,555,278	511,822
Other Governmental Funds	13,948,686	12,335,313	1,613,373
Total	<u>\$ 43,555,618</u>	<u>\$ 34,461,747</u>	<u>\$ 9,093,871</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

General Fund

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

	2016	2015	Percentage Change
<u>Receipts:</u>			
Taxes	\$ 26,775,663	\$ 26,685,198	0.34%
Payment in Lieu of Taxes	2,156,678	1,507,839	43.03%
Charges for Services	659,598	751,550	-12.23%
Tuition and Fees	4,515,475	4,127,913	9.39%
Earnings on Investments	95,346	27,166	250.98%
Intergovernmental	37,641,392	35,437,581	6.22%
Extracurricular	44,952	38,552	16.60%
Other	332,812	384,835	-13.52%
Total Receipts	72,221,916	68,960,634	4.73%
<u>Disbursements:</u>			
Instruction	36,398,994	35,807,971	1.65%
Support Services	24,310,868	24,702,615	-1.59%
Other Non-Instructional Services	1,259	163,036	-99.23%
Extracurricular Activities	386,240	351,677	9.83%
Facilities Acquisition and Construction	270,586	-	100%
Debt Service	480,450	363,741	32.09%
Total Disbursements	61,848,397	61,389,040	0.75%
Excess (Deficiency) of Receipts Over (Under) Disbursements	10,373,519	7,571,594	37.01%
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	31,900	3,035	951.07%
Insurance Proceeds	42,232	-	-100.00%
Transfer In/Out	(3,470,975)	(335,016)	936.06%
Advance In/Out	(8,000)	(135,000)	-94.07%
Net Change in Fund Balance	\$ 6,968,676	\$ 7,104,613	-1.91%

The significant increase in Intergovernmental receipts is primarily the result of an increase in Foundation funding from the Ohio Department of Education.

The significant increase in transfers out is the result of a nonrecurring transfer of funds set aside for future capital acquisition and construction projects during the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Debt Service Fund

During the fiscal year, the District's debt service fund balance increased by \$511,822. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
<u>Receipts</u>			
Taxes	\$ 8,178,836	\$ 8,163,747	0.18%
Payment in Lieu of Taxes	12,862	12,612	1.98%
Intergovernmental	1,154,333	1,163,721	-0.81%
Total Receipts	<u>9,346,031</u>	<u>9,340,080</u>	0.06%
<u>Disbursements:</u>			
Fiscal	141,335	113,611	24.40%
Debt Service:			
Principal Retirement	4,370,000	22,695,000	-80.74%
Interest and Fiscal Charges	4,322,874	3,639,188	18.79%
SWAP Termination Payment	-	4,402,514	-100.00%
Total Disbursements	<u>8,834,209</u>	<u>30,850,313</u>	-71.36%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>511,822</u>	<u>(21,510,233)</u>	-102.38%
<u>Other Financing Sources (Uses):</u>			
Sale of Refunding Bonds	-	66,334,987	-100.00%
Premium on Sale of Refunding Bonds	-	10,213,175	-100.00%
Payment to Refunded Bonds Escrow	-	(54,463,667)	-100.00%
Net Change in Fund Balance	<u>\$ 511,822</u>	<u>\$ 574,262</u>	-10.87%

This increase in fund balance represents the amount in which property tax and related receipts outstripped debt service disbursements during the fiscal year.

The significant decreases in Sale of Refunding Bonds and Related Premium, Debt Service, and Other Financing Sources and Uses are the result of the District issuing refunding bonds in fiscal year 2015.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

General Fund Budgetary Highlights

Actual receipts exceeded the final budget by \$4.2 million. This variance is primarily the result of property tax receipts and state funding receipts exceeding expectations. The District's original and final estimated receipts budget was the same.

The District's final appropriations, totaling \$66.7 million, exceeded original appropriations by only \$568,279. The District's final appropriations exceeded budgetary expenditures by \$606,184.

Debt

At the end of the fiscal year, the District had total long-term debt outstanding of approximately \$93.2 million, a decrease of approximately \$3.7 million in comparison with the prior fiscal year. This decrease is the result of current year principal payments of approximately \$4.4 million, offset by current year accretion of \$664,178.

More detailed information can be found in Note 10 to the basic financial statements.

Component Units

The District's financial statements contain three modified cash-basis component units. More detailed information regarding component units can be found in the notes to the basic financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tammira Miller, Treasurer, Reynoldsburg City School District, 7244 E. Main Street, Reynoldsburg, Ohio 43068-3585.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2016

	Primary Government	Component Units		
	Governmental Activities	Virtual Community School	Everest High School	Brookwood Academy
Assets				
Cash and Cash Equivalents	\$ 41,022,690	\$ 1,314,617	\$ 812,255	\$ 6,960
Investments	14,042,960	-	140,000	-
Total Assets	<u>55,065,650</u>	<u>1,314,617</u>	<u>952,255</u>	<u>6,960</u>
Net Position				
Restricted for:				
Library Support Endowment	25,494	-	-	-
Debt Service	5,067,100	-	-	-
Capital Projects	4,935,522	-	-	-
Food Service	974,793	-	-	-
Locally Funded Programs	213,335	5,015	-	-
District Managed Student Activities	176,117	-	-	-
State Funded Programs	218,576	27	-	-
Federally Funded Programs	100,652	265	241	2,107
Classroom Facilities Maintenance	592,984	-	-	-
Other Purposes	-	-	-	219
Unrestricted	<u>42,761,077</u>	<u>1,309,310</u>	<u>952,014</u>	<u>4,634</u>
Total Net Position	<u>\$ 55,065,650</u>	<u>\$ 1,314,617</u>	<u>\$ 952,255</u>	<u>\$ 6,960</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Program Receipts			Net (Disbursement) Receipt and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 28,743,953	\$ 3,556,259	\$ 77,236	\$ (25,110,458)
Special	9,781,369	946,109	2,324,939	(6,510,321)
Vocational	81,780	10,365	-	(71,415)
Other	652,418	10,317	521,380	(120,721)
Support services:				
Pupils	3,479,440	-	191,463	(3,287,977)
Instructional Staff	3,319,744	-	582,700	(2,737,044)
Board of Education	28,613	-	-	(28,613)
Administration	5,648,025	-	5,475	(5,642,550)
Fiscal	1,232,566	-	-	(1,232,566)
Business	482,468	-	-	(482,468)
Operations and Maintenance	6,848,764	-	156,443	(6,692,321)
Pupil Transportation	4,473,722	-	11,903	(4,461,819)
Central	608,237	-	28,371	(579,866)
Operation of Non-Instructional Services:				
Food service Operations	3,039,430	1,092,708	2,348,735	402,013
Other Non-Operational Services	836,761	-	872,121	35,360
Extracurricular activities	1,095,922	551,033	123,574	(421,315)
Facilities Acquisition and Construction	982,729	-	-	(982,729)
Debt Service				
Principal	4,370,000	-	-	(4,370,000)
Interest and Fiscal Charges	4,322,874	-	-	(4,322,874)
Repayment of Debt Judgements	480,450	-	-	(480,450)
Total Governmental Activities	80,509,265	6,166,791	7,244,340	(67,098,134)
Component Units				
Virtual Community School of Ohio	7,632,577	1,110,573	6,903,731	-
Everest High School	629,908	620	678,676	-
Brookwood Academy	2,567,358	-	2,294,901	-
Total Component Units	\$ 10,829,843	\$ 1,111,193	\$ 9,877,308	-
General Receipts				
Property Taxes Levied for:				
General Purposes				21,784,336
Debt Service				8,178,836
Facilities Maintenance				284,749
Income Taxes				4,991,327
Payment in Lieu of Taxes				2,169,989
Unrestricted Grants and Entitlements				38,795,725
Loan Proceeds				-
Investment Earnings				134,657
Miscellaneous				1,051,958
Total General Receipts				77,391,577
Change in Net Position				10,293,443
Net Position Beginning of Year - Restated				44,772,207
Net Position End of Year				\$ 55,065,650

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

BALANCE SHEET- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 14,477,334	\$ 5,067,100	\$ 9,968,224	\$ 29,512,658
Investments	10,062,498	-	3,980,462	14,042,960
Total Assets	<u>\$ 24,539,832</u>	<u>\$ 5,067,100</u>	<u>\$ 13,948,686</u>	<u>\$ 43,555,618</u>
Fund Balances:				
Nonspendable:				
Library Support Endowment	\$ -	\$ -	\$ 25,000	\$ 25,000
Restricted for:				
Library Support Endowment	-	-	494	494
Debt Service	-	5,067,100	-	5,067,100
Capital Projects	-	-	4,935,522	4,935,522
Food Service	-	-	974,793	974,793
Locally Funded Programs	5,007	-	208,328	213,335
District Managed Student Activities	-	-	176,117	176,117
State Funded Programs	-	-	218,576	218,576
Federally Funded Programs	-	-	100,652	100,652
Classroom Facilities Maintenance	-	-	592,984	592,984
Committed to:				
Instruction	-	-	204,966	204,966
Assigned for:				
Public School Support	140,038	-	-	140,038
Instruction	280,393	-	-	280,393
Support Services	567,791	-	-	567,791
Capital Projects	-	-	6,511,254	6,511,254
Unassigned	23,546,603	-	-	23,546,603
Total Fund Balances	<u>24,539,832</u>	<u>5,067,100</u>	<u>13,948,686</u>	<u>43,555,618</u>
Total Fund Balances	<u>\$ 24,539,832</u>	<u>\$ 5,067,100</u>	<u>\$ 13,948,686</u>	<u>\$ 43,555,618</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
AS OF JUNE 30, 2016

Total Governmental Fund Balances \$ 43,555,618

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

Internal service funds are used by management to charge the cost of insurance to individual funds. The assets of the internal service funds are included in governmental activities on the statement of net position.

11,510,032

Net Position of Governmental Activities

\$ 55,065,650

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:				
From local sources:				
Property Taxes	\$ 21,784,336	\$ 8,178,836	\$ 284,749	\$ 30,247,921
Income Taxes	4,991,327	-	-	4,991,327
Tuition and Fees	4,515,475	-	7,575	4,523,050
Charges for Services	659,598	-	1,092,708	1,752,306
Earnings on Investments	95,346	-	39,311	134,657
Extracurricular	44,952	-	506,081	551,033
Payments in Lieu of Taxes	2,156,678	12,862	449	2,169,989
Other Local Revenues	332,812	-	392,535	725,347
Intergovernmental- State	37,147,110	1,154,333	1,272,112	39,573,555
Intergovernmental- Federal	494,282	-	5,540,109	6,034,391
Total Receipts	<u>72,221,916</u>	<u>9,346,031</u>	<u>9,135,629</u>	<u>90,703,576</u>
Disbursements:				
Instruction:				
Regular	28,637,099	-	631,664	29,268,763
Special	7,595,851	-	2,381,952	9,977,803
Vocational	83,213	-	-	83,213
Other	82,831	-	572,572	655,403
Support services:				
Pupils	3,453,410	-	70,003	3,523,413
Instructional Staff	2,479,273	-	875,267	3,354,540
Board of Education	28,613	-	-	28,613
Administration	5,726,879	-	45,096	5,771,975
Fiscal	1,098,334	141,335	5,976	1,245,645
Business	495,643	-	-	495,643
Operations and Maintenance	6,485,823	-	411,729	6,897,552
Pupil Transportation	3,981,200	-	605,362	4,586,562
Central	561,693	-	52,979	614,672
Operation of Non-Instructional Services				
Food Service Operations	-	-	3,097,370	3,097,370
Other Non-Operational Services	1,259	-	850,467	851,726
Extracurricular Activities	386,240	-	713,651	1,099,891
Facilities Acquisition and Construction	270,586	-	712,143	982,729
Debt Service:				
Principal Retirement	-	4,370,000	-	4,370,000
Interest and Fiscal Charges	-	4,322,874	-	4,322,874
Repayment of Debt Judgements	480,450	-	-	480,450
Total Disbursements	<u>61,848,397</u>	<u>8,834,209</u>	<u>11,026,231</u>	<u>81,708,837</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>10,373,519</u>	<u>511,822</u>	<u>(1,890,602)</u>	<u>8,994,739</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	31,900	-	25,000	56,900
Insurance Proceeds	42,232	-	-	42,232
Transfers In	-	-	3,470,975	3,470,975
Transfers Out	(3,470,975)	-	-	(3,470,975)
Advances In	110,000	-	118,000	228,000
Advances Out	(118,000)	-	(110,000)	(228,000)
Total Other Financing Sources (Uses)	<u>(3,404,843)</u>	<u>-</u>	<u>3,503,975</u>	<u>99,132</u>
Net Change in Fund Balances	6,968,676	511,822	1,613,373	9,093,871
Fund Balance Beginning of Year - Restated	17,571,156	4,555,278	12,335,313	34,461,747
Fund Balance End of Year	<u>\$ 24,539,832</u>	<u>\$ 5,067,100</u>	<u>\$ 13,948,686</u>	<u>\$ 43,555,618</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 9,093,871
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Amounts reported for governmental activities in the statement of activities are different because:

Internal service fund for self-insurance is not reported in the statement of activities. Disbursements and related internal service fund receipts are eliminated. The net receipt/(disbursement) of the internal service funds are allocated among the governmental activities	<u>1,199,572</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 10,293,443</u></u>
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See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS 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 Over/(Under)
Receipts:				
From local sources:				
Property Taxes	\$ 20,507,712	\$ 20,507,712	\$ 21,784,336	\$ 1,276,624
Income Taxes	4,698,821	4,698,821	4,991,327	292,506
Tuition and Fees	4,227,102	4,227,102	4,490,243	263,141
Charges for Services	620,944	620,944	659,598	38,654
Earnings on Investments	89,758	89,758	95,346	5,588
Payments in Lieu of Taxes	2,030,291	2,030,291	2,156,678	126,387
Other Local Revenues	192,198	192,198	204,163	11,965
Intergovernmental- State	34,970,185	34,970,185	37,147,110	2,176,925
Intergovernmental- Federal	465,316	465,316	494,282	28,966
Total Receipts	67,802,327	67,802,327	72,023,083	4,220,756
Disbursements:				
Instruction:				
Regular	29,438,244	29,692,802	28,778,736	914,066
Special	7,584,992	7,650,672	7,685,404	(34,732)
Vocational	104,790	105,493	94,817	10,676
Other	77,010	77,661	83,661	(6,000)
Support services:				
Pupils	3,733,621	3,765,598	3,400,436	365,162
Instructional Staff	2,445,014	2,465,674	2,499,143	(33,469)
Board of Education	36,772	37,092	34,363	2,729
Administration	5,707,000	5,755,871	5,778,840	(22,969)
Fiscal	1,092,020	1,101,485	1,129,502	(28,017)
Business	496,632	500,952	522,248	(21,296)
Operations and Maintenance	6,747,452	6,803,921	6,647,124	156,797
Pupil Transportation	3,743,731	3,775,694	4,154,495	(378,801)
Central	564,238	569,056	571,295	(2,239)
Operation of Non-Instructional Services:				
Other Non-Operational Services	8,047	8,117	694	7,423
Extracurricular Activities	322,811	325,561	368,636	(43,075)
Facilities Acquisition and Construction	226,468	228,415	270,586	(42,171)
Debt Service:				
Interest and Fiscal Charges	476,305	480,450	-	480,450
Total Disbursements	62,805,147	63,344,514	62,500,430	844,084
Excess of Receipts Over (Under) Disbursements	4,997,180	4,457,813	9,522,653	5,064,840
Other Financing Sources (Uses):				
Sale of Capital Assets	30,031	30,031	31,900	1,869
Insurance Proceeds	39,757	39,757	42,232	2,475
Transfers Out	(3,205,181)	(3,233,075)	(3,470,975)	(237,900)
Advances In	103,554	103,554	110,000	6,446
Advances Out	(116,982)	(118,000)	(118,000)	-
Total Other Financing Sources (Uses)	(3,148,821)	(3,177,733)	(3,404,843)	(227,110)
Net Change in Fund Balance	1,848,359	1,280,080	6,117,810	4,837,730
Fund Balances at Beginning of Year	16,576,902	16,576,902	16,576,902	-
Prior Year Encumbrances Appropriated	829,307	829,307	829,307	-
Fund Balances at End of Year	\$ 19,254,568	\$ 18,686,289	\$ 23,524,019	\$ 4,837,730

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
AS OF JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Assets:	
Cash and Cash Equivalents	\$ 11,510,032
Total Assets	<u>11,510,032</u>
Net Position:	
Unrestricted	11,510,032
Total Net Position	<u>\$ 11,510,032</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Operating Receipts:	
Charges for Services	\$ 8,887,686
Total Operating Receipts	8,887,686
Operating Disbursements:	
Purchased Services	452,800
Claims	7,235,314
Total Operating Disbursements	7,688,114
Change in Net Position	1,199,572
Net Position Beginning of Year	10,310,460
Net Position End of Year	\$ 11,510,032

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
AS OF JUNE 30, 2016

	Private-Purpose Trust Scholarship	Agency Fund
Assets:		
Cash and Cash Equivalents	\$ 104,757	\$ 57,509
Total Assets	104,757	57,509
Net Position:		
Held in Trust for Scholarships	104,757	-
Held for Others	-	9,896
Held for Students Activity	-	47,613
Total Net Position	\$ 104,757	\$ 57,509

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$ 14,407
Total Additions	14,407
Deductions:	
Scholarships Awarded	7,479
Total Deductions	7,479
Change in Net Position	6,928
Net Position at Beginning of Year, Restated	97,829
Net Position at End of Year	\$ 104,757

See accompanying notes to the basic financial statements.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The District employs 293 non-certified and 428 certified employees to provide services to approximately 6,647 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District.

Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has three component units. The basic financial statements of the reporting entity include those of the District (the primary government), Virtual Community School of Ohio (component unit), Everest High School, which is formerly known as Reynoldsburg Conversion Community School (component unit), and Brookwood Academy (component unit).

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS

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

Virtual Community School of Ohio

The Virtual Community School of Ohio (the “VCS”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The VCS is a conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The VCS is governed by a Board of Trustees. The VCS Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the VCS, the VCS’s purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Trustees of the VCS, the VCS is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the VCS at 340 Waggoner Road, Reynoldsburg, Ohio 43068.

Everest High School

Everest High School, formerly known as Reynoldsburg Conversion Community School, (the “EHS”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. EHS is designed as a high school dropout prevention/recovery program. EHS’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to EHS, EHS’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of EHS, EHS is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of EHS at 1555 Graham Road, Reynoldsburg, Ohio 43068.

Brookwood Academy

The Brookwood Academy (the “Academy”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is designed as a school for “at risk” students. The Academy’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the Academy, the Academy’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 2685 East Livingston Avenue, Columbus, Ohio 43209.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the modified cash-basis component units can be found in Notes 16, 17, and 18, respectively.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)

JOINTLY GOVERNED ORGANIZATION

META Solutions

The District is a member of Meta Solutions. META Solutions is a consortium that provides software, hardware, staff development, and technology integration support for member schools. As one of 20+ ITC-sites around the state, META Solutions is a member of the Ohio Education Computer Network (OECN) which provides fiscal, support, and student services statewide to Ohio's school districts. Beyond these core services, META Solutions also provides additional services to member schools and contracted institutions. Financial information can be obtained from the offices of the Treasurer at 100 Executive Drive, Marion, Ohio, 43302.

PUBLIC ENTITY RISK POOL

Comp Management Group Retrospective Rating Program

The District participates in the Comp Management Group Retrospective Rating Program, a voluntary performance based incentive program. Similar to group rating, companies are grouped together to achieve lower premiums than they could as individuals. However, in this program, employers continue to own individual premiums and the BWC calculates group retro rebates/assessments at 12, 24 and 36 months after the end of the policy. This creates an incentive for participants to control and reduce losses by practicing effective workplace safety and claims management.

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the District's accounting policies.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund(s) is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

The statement of net position presents the modified cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major governmental funds are the General Fund and Debt Service Fund.

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

Debt service fund - This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

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

Proprietary Funds - Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service funds:

Internal service funds - The 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 internal service funds of the District account for self-insurance programs.

Fiduciary Funds - The fiduciary fund category is split into four classifications: private-purpose trust funds, investment trust funds, pension trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust that accounts for scholarship programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District has one agency fund that accounts for student-managed student activities.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. With the exception of investment purchases and sales, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

E. Cash and Investments

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

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the fiscal year, the District invested in certificates of deposit, repurchase agreements, federal agency securities, commercial paper, and a money market fund. Investments are reported at cost, except for the money market fund. The District's money market fund investment is recorded at the amount reported by USBank.

During the fiscal year, the School invested in STAR Ohio (the State Treasury Asset Reserve of Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants", the School measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis, which approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during the fiscal year was \$95,346, which included \$50,249 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had no restricted assets at fiscal year-end.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

K. Pensions

For purposes of measuring the net pension liability, 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.

L. Long-Term Obligations

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither a other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Deferred Outflows and Inflows of Resources

The District's modified cash basis financial statements do not report deferred outflows and inflows of resources. The District recognizes the disbursement for deferred outflows when they are paid and proceeds of deferred inflows are reported when cash is received.

N. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the District's net position at fiscal year-end were the result of enabling legislation.

The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed – The committed fund balance classification includes amounts that can be used for the specified purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same 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 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Q. 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 management and are either unusual in nature or infrequent in occurrence. The District did not have either type of transaction during the fiscal year.

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REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit certain assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (modified cash basis).

The encumbrances outstanding at year-end (budgetary basis) for the General Fund amounted to \$848,184.

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund, Uniform School Supplies Fund and Alternative School Fund, no longer meet the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these funds are presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria. The difference between the budgetary basis and the modified cash basis is \$2,682 for the change in fund balance for the reclassified funds above.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

A. Deposits with Financial Institutions

At fiscal year-end, the carrying amount of the District’s deposits was \$26,808,827, and the bank balance was \$27,209,583. Of the District’s bank balance, \$10,289,656 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was collateralized in the manner described below.

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

B. Investments

At fiscal year-end, the District had the following investments and maturities:

Investment Type	Amount	Percent of Total	Less than one year	1 to 3 years	Greater than 3 years
Repurchase Agreements	\$ 4,356,038	15.33%	\$ 4,356,038	\$ -	\$ -
STAR Ohio (NAV)	10,011,082	35.23%	10,011,082	-	-
Money Market Fund	9,009	0.03%	9,009	-	-
Commercial Paper	3,583,317	12.61%	3,583,317	-	-
Federal Agency Securities	7,486,292	26.34%	1,418,601	3,357,691	2,710,000
Negotiable CD's	2,973,351	10.46%	-	2,726,475	246,876
Total	<u>\$ 28,419,089</u>	<u>100%</u>	<u>\$ 19,378,047</u>	<u>\$ 6,084,166</u>	<u>\$ 2,956,876</u>

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk: Of the District’s investments, the Federal Agency Securities and the U.S. Treasuries were rated AA and the Commercial Paper was rated A by Standard & Poor’s. The District’s investments in repurchase agreements and money market fund were unrated. The District’s policy does not address credit risk.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The District’s policy does not limit the amount invested in U.S. Treasury securities or those instruments guaranteed by the U.S. Treasury. Investments in Federal Agency Instruments/Government Sponsored Enterprise securities and investments in repurchase agreements and certificates of deposit may be made up of 25% and 50%, respectively, of the District’s total portfolio.

C. Reconciliation of Deposits and Investments to the Statement of Net Position

The following is a reconciliation of deposits and investments as reported in the note above to cash and investments as reported on the statement of net position at fiscal year-end:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 26,808,827
Investments	28,419,089
Total	<u>\$ 55,227,916</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 55,065,650
Private-purpose trust funds	104,757
Agency fund	57,509
Total	<u>\$ 55,227,916</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 – PROPERTY TAXES

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

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

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

The District receives property taxes from Franklin, Licking and Fairfield Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

	<u>2015 Second Half Collections</u>		<u>2016 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other real estate	\$ 632,476,120	97.24%	\$ 634,598,420	97.04%
Public Utility Personal	17,957,410	2.75%	19,378,080	2.95%
Total	<u>\$ 650,433,530</u>	<u>100.00%</u>	<u>\$ 653,976,500</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 74.90		\$ 74.45	

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 – INCOME TAXES

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State of Ohio makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. The District’s income tax receipts are credited to the general fund.

NOTE 8 – INTERFUND ACTIVITY

During the fiscal year, the District transferred \$3,470,975 from the General Fund to Other Governmental Funds. These transfers represent operating subsidies and monies assigned to capital acquisitions.

At fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of \$328,305, which represents short-term loans made to other funds of the District. These loans are expected to be repaid within one year.

NOTE 9 – CONTRACTUAL COMMITMENTS

Significant encumbrances as of fiscal year-end were as follows:

	<u>Encumbrances</u>
General Fund	\$ 848,184
Building Fund	292,484
Classroom Facilities Fund	140,275
Capital Projects Fund	19,987
Other Governmental Funds	310,962
Total	<u><u>\$ 1,611,892</u></u>

The significant amount of encumbrances in the General Fund is due to the District’s contractual commitments outstanding at fiscal year end such as the Go-Care Agreement and Green King contract. These encumbrances will be liquidated over the period of the contracts.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Series 2008 Bonds					
Serial/Term Bonds	\$ 3,555,000	\$ -	\$ (1,150,000)	\$ 2,405,000	\$ -
Capital Appreciation	64,988	-	-	64,988	39,113
Accreted Interest	1,103,289	596,910	-	1,700,199	1,023,259
Series 2012 Bonds					
Serial/Term Bonds	5,120,000	-	(1,625,000)	3,495,000	1,705,000
Series 2013 Bonds					
Serial/Term Bonds	20,690,000	-	(920,000)	19,770,000	955,000
Series 2014 Bonds					
Serial/Term Bonds	18,665,000	-	(675,000)	17,990,000	705,000
Series 2015 Bonds					
Serial/Term Bonds	47,625,000	-	-	47,625,000	100,000
Capital Appreciation	44,987	-	-	44,987	-
Accreted Interest	210	67,268	-	67,478	-
Total long-term obligations	\$ 96,868,474	\$ 664,178	\$ (4,370,000)	\$ 93,162,652	\$ 4,527,372

A. Series 2003 Bonds

On March 24, 2003, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$29,455,000, and capital appreciation bonds, par value \$344,979. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds matured on December 1, 2008 (approximate initial offering yield at maturity 2.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

In November 2013, the outstanding amount of these bonds were refunded by the Series 2013 Bonds.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

B. Series 2005 Bonds

On April 6, 2005, the District issued general obligation bonds to provide funds for construction and improvements to school facilities in the amount of \$23,950,000 with a variable interest rate from 3.00% to 5.00%. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

In October 2014, the outstanding amount of these bonds were refunded by the Series 2014 Bonds.

C. Series 2007 Bond Anticipation Notes

On November 29, 2007, the District issued bond anticipation notes in the amount of \$9,540,000 to refund the callable portion of the 1997 series general obligation refunding bonds. These bond anticipation notes were subsequently purchased by Dexia Credit Local (Dexia) and a swap option was exercised obligating Dexia to pay the variable interest rate due on the notes in return for a fixed rate to be received by the District (see Note 10.I for detail).

D. Series 2008 Bonds

On July 9, 2008, the District issued general obligation bonds to provide funds for construction and improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$55,935,000, and capital appreciation bonds, par value \$64,988. The interest rates on the current interest bonds range from 3.00% to 5.25%. The capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield at maturity 4.30%) and December 1, 2017 (approximate initial offering yield at maturity 4.42%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,500,000 and the accreted value at fiscal year-end was \$1,765,187.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

In May 2015, \$47,670,000 of the current interest bonds were refunded by the Series 2015 Bonds.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of the future debt service requirements to maturity for the 2008 series general obligation bonds:

Fiscal Year	Current Interest Bonds- Series 2008			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 105,219	\$ 105,219	\$ 1,062,372	\$ 187,628	\$ 1,250,000
2018	-	105,219	105,219	702,815	547,185	1,250,000
2019	2,405,000	52,609	2,457,609	-	-	-
Total	<u>\$ 2,405,000</u>	<u>\$ 263,047</u>	<u>\$ 2,668,047</u>	<u>\$ 1,765,187</u>	<u>\$ 734,813</u>	<u>\$ 2,500,000</u>

E. Series 2012 Bonds

In February 2012, the District issued \$8,150,000 in general obligation refunding bonds with an interest cost of 5.37% for the purpose of currently refunding the outstanding principal amount of the 2007 Bond Anticipation Notes and terminating an interest rate hedge agreement with Dexia Credit Local. The District received \$9,305,018 in bond proceeds, which included a \$1,155,018 premium. The bonds were issued for a five year period with final maturity at December 1, 2017. The bonds will be retired from the debt service fund. This refunding resulted in a savings of \$111,203. The refunding did not increase the overall debt of the District; however, since funds were needed to terminate the interest rate hedge agreement, the District lost the opportunity to capitalize on lower interest rates.

The following is a summary of the future debt service requirements to maturity for the 2012 series general obligation bonds:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,705,000	\$ 141,903	\$ 1,846,903
2018	1,790,000	48,062	1,838,062
Total	<u>\$ 3,495,000</u>	<u>\$ 189,965</u>	<u>\$ 3,684,965</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

F. Series 2013 Bonds

In November 2013, the District issued \$21,580,000 in general obligation refunding current interest bonds with an interest cost of 4.919% for the purpose of currently refunding the outstanding principal amount of the 2003 general obligation bonds and terminating an interest rate hedge agreement with Dexia Credit Local. The District received \$25,758,320 in bond proceeds, which included a \$4,178,320 premium. The bonds will be retired from the debt service fund. The incremental benefit of this refunding was \$49,462. The refunding did not increase the overall debt of the District; however, since funds were needed to terminate the interest rate hedge agreement, the District lost the opportunity to capitalize on lower interest rates.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is September 1, 2030.

The following is a summary of the future debt service requirements to maturity for the 2013 series general obligation bonds:

Fiscal Year	Principal	Interest	Total
2017	\$ 955,000	\$ 948,998	\$ 1,903,998
2018	995,000	901,038	1,896,038
2019	1,035,000	851,110	1,886,110
2020	1,085,000	798,969	1,883,969
2021	1,135,000	744,367	1,879,367
2022-2026	6,460,000	2,815,880	9,275,880
2027-2031	8,105,000	1,012,455	9,117,455
Total	<u>\$ 19,770,000</u>	<u>\$ 8,072,817</u>	<u>\$ 27,842,817</u>

G. Series 2014 Bonds

In December 2014, the District issued \$18,665,000 in general obligation refunding current interest bonds with an interest cost of 4.939% for the purpose of currently refunding the outstanding principal amount of the 2005 general obligation bonds and terminating an interest rate hedge agreement with Dexia Credit Local. The District received \$23,067,514 in bond proceeds, which included a \$4,402,514 premium. The bonds will be retired from the debt service fund. The incremental benefit of this refunding was \$10,600. The refunding did not increase the overall debt of the District; however, since funds were needed to terminate the interest rate hedge agreement, the District lost the opportunity to capitalize on lower interest rates.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of the future debt service requirements to maturity for the 2014 series general obligation bonds:

Fiscal Year	Principal	Interest	Total
2017	\$ 705,000	\$ 871,116	\$ 1,576,116
18	730,000	835,679	1,565,679
2019	765,000	798,760	1,563,760
2020	805,000	759,989	1,564,989
2021	845,000	719,242	1,564,242
2022-2026	4,910,000	2,909,316	7,819,316
2027-2031	6,265,000	1,535,906	7,800,906
2032-2033	2,965,000	129,525	3,094,525
Total	<u>\$ 17,990,000</u>	<u>\$ 8,559,533</u>	<u>\$ 26,549,533</u>

H. Series 2015 Bonds

In May 2015, the District issued \$47,669,987 in general obligation refunding bond anticipation notes with an interest cost of 4.178% for the purpose of currently refunding \$47,670,000 of the 2008 general obligation bonds. The District received \$53,480,648 in bond proceeds, which included a \$5,810,661 premium. The bonds will be retired from the debt service fund. The refunding did not increase the overall debt of the District.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

The following is a summary of the future debt service requirements to maturity for the 2015 series general obligation bonds:

Fiscal Year	Current Interest Bonds- Series 2015			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 100,000	\$ 2,039,862	\$ 2,139,862	\$ -	\$ -	\$ -
2018	100,000	2,038,612	2,138,612	-	-	-
2019	100,000	2,037,112	2,137,112	-	-	-
2020	2,610,000	1,985,006	4,595,006	-	-	-
2021	2,700,000	1,866,150	4,566,150	-	-	-
2022-2026	15,235,000	7,137,175	22,372,175	112,465	697,535	810,000
2027-2031	21,010,000	3,240,000	24,250,000	-	-	-
2032-2033	5,770,000	197,300	5,967,300	-	-	-
Total	<u>\$ 47,625,000</u>	<u>\$ 20,541,217</u>	<u>\$ 68,166,217</u>	<u>\$ 112,465</u>	<u>\$ 697,535</u>	<u>\$ 810,000</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

I. Refunding and Sold Options

In 2008, the District entered into an agreement with Dexia for Dexia to purchase bond anticipation notes that were or may be issued to refund a portion of the general obligation bonds discussed in Note 10.B. (2003 issue) and Note 10.D. (2005 issue). These refunding bond anticipation notes, as or if issued, bear or would bear variable interest rates based upon the Securities Industry and Financial Markets Association (SIFMA, formerly the Bond Marketing Association, BMA) Municipal Swap Index plus 29 basis points (0.29%).

Simultaneously, the District entered into options (swap options, or swaptions) which, as or if exercised, would obligate Dexia to pay the variable interest due on the notes and receive a fixed rate from the District. Dexia paid the District \$2,416,000 for these swaptions, which, net of fees and expenses of \$899,088, resulted in \$1,516,912 being deposited into the District's permanent improvement fund, a nonmajor governmental fund, to be used for various capital projects.

The notes related to \$9,540,000 of the 1997 issue were issued November 29, 2007, the notes related to \$21,580,000 of the 2003 issue were issued November 29, 2013, and the notes related to \$18,665,000 of the 2005 issue were issued December 1, 2014.

The purpose of the interest rate swap transactions with Dexia was to or would be to hedge the exposure of the District against interest rate fluctuations arising from the variable rates borne by these bond anticipation notes. Under the swap agreement, the District is or would be the fixed rate payer, paying fixed rates ranging from approximately 5.38% to 5.45% on the 1997 issue; approximately 4.54% to 5.00% on the 2003 issue, and approximately 4.625% to 4.967% on the 2005 issue. The counterparty, Dexia, is or would be the floating rate payer, paying the actual variable rate borne by the notes. The floating rates are or would be determined in accordance with the weekly SIFMA Swap Index.

During fiscal year 2012, the District terminated the agreement related to 1997 issue through the issuance of the Series 2012 General Obligation Refunding Bonds. The proceeds of the current refunding bonds were used to currently refund the outstanding principal amounts tied to the agreements (\$8,150,000 Series 2007 Bond Anticipation Notes) and terminate the interest rate hedge agreement at a net cost of \$1,063,718. This refunding did not increase the overall general obligation debt of the District and resulted in a savings of \$111,203.

During fiscal year 2014, the District terminated the agreement related to 2003 issue through the issuance of the Series 2013 General Obligation Refunding Bond Anticipation Notes. The proceeds of the current refunding bonds were used to currently refund the outstanding principal amounts tied to the agreements (\$21,580,000 Series 2003 Bond Anticipation Notes) and terminate the interest rate hedge agreement at a net cost of \$4,178,320. This refunding did not increase the overall general obligation debt of the District and the incremental benefit of this refunding was \$49,462.

During fiscal year 2015, the District terminated the agreement related to 2005 issue through the issuance of the Series 2014 General Obligation Refunding Bond Anticipation Notes. The proceeds of the current refunding bonds were used to currently refund the outstanding principal amounts tied to the agreements (\$18,665,000 Series 2005 Bond Anticipation Notes) and terminate the interest rate hedge agreement at a net cost of \$4,402,514. This refunding did not increase the overall general obligation debt of the District and the incremental benefit of this refunding was \$10,600.

REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

J. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at fiscal year-end, resulted in no remaining voted debt margin and an unvoted debt margin of \$653,976. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a "special needs" school district as permitted by Ohio Revised Code Section 133.06(E).

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REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The following is a description of the District's insurance coverage:

Coverage	Insurer	Limits of Coverage	Deductible
General liability:			
Each occurrence	Marsh & McLennan Agency	\$ 1,000,000	\$ -
Aggregate		2,000,000	-
Umbrella liability:			
Each occurrence	Marsh & McLennan Agency	5,000,000	-
Aggregate		5,000,000	-
Building and contents	Marsh & McLennan Agency	237,183,883	5,000
Business auto:			
Each occurrence	Marsh & McLennan Agency	1,000,000	500
Employee benefits liability:			
Each occurrence	Marsh & McLennan Agency	1,000,000	1,000
Aggregate		3,000,000	-

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal year 2015.

B. Health Care Self-Insurance Program

The District provides medical coverage for its employees and is self-insured up to a stop loss limit for the cost of providing this coverage. The District is covered by an annual individual stop loss of \$130,000 annually, and by an annual aggregate stop loss of approximately \$2,000,000 per year. This activity is accounted for in an internal service fund.

C. Workers' Compensation Retrospective Rating Program

During the fiscal year, the District participated in the Comp Management Group Retrospective Rating Program, a voluntary performance based incentive program. Similar to group rating, companies are grouped together to achieve lower premiums than they could as individuals. However, in this program, employers continue to own individual premiums and the BWC calculates group retro rebates/assessments at 12, 24 and 36 months after the end of the policy. This creates an incentive for participants to control and reduce losses by practicing effective workplace safety and claims management.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – PENSION PLANS

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

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

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

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.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - PENSION PLANS (CONTINUED)

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 and nothing was allocated to the Health Care Fund.

The District paid \$1,313,070 to SERS during fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - PENSION PLANS (CONTINUED)

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

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

NOTE 12 - PENSION PLANS (CONTINUED)

The District paid \$3,721,356 to STRS during fiscal year 2016.

Net Pension Liability

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 projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 13,862,101	\$ 69,102,817	\$ 82,964,918
Proportion of the Net Pension Liability	0.2429349%	0.25003665%	

Actuarial Assumptions - SERS

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

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

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - PENSION PLANS (CONTINUED)

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

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

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

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - PENSION PLANS (CONTINUED)

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.

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
District's proportionate share of the net pension liability	\$ 19,221,753	\$ 13,862,101	\$ 9,348,832

Actuarial Assumptions - STRS

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

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

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:

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - PENSION PLANS (CONTINUED)

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 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>
District's proportionate share of the net pension liability	\$ 95,989,025	\$ 69,102,817	\$ 46,366,519

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, 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. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2016, 2015, and 2014 were \$126,827, \$172,575, and \$65,587, respectively; 100 percent has been contributed for each fiscal year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates to the cost sharing multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0 and \$260,529, respectively; 100 percent has been contributed for each fiscal year.

NOTE 14 – SET ASIDE REQUIREMENTS

The District is required by State law to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following modified cash basis information identifies the changes in the set aside balances for capital improvements:

	Capital Acquisition
Set-aside cash balance	
as of June 30, 2015	\$ -
Current fiscal year set-aside requirement	1,129,909
Current year qualifying disbursements	(780,768)
Prior Year Offset from Bond Proceeds	(349,141)
Total	\$ -
Balance carried forward to FY 2017	\$ -
Set Aside Reserve Balance June 30, 2016	\$ -

Capital Acquisition

During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project under taken by the District. During fiscal year 2005, the District issued \$23,950,000 in capital related debt for a new building project. During fiscal year 2009, the District issued \$55,999,988 in capital related debt for a new building project. Those proceeds may be used as qualifying disbursements to reduce the capital acquisition to zero for future years. Therefore, the District still has \$101,733,071 in qualifying disbursements that may be used to reduce the set-aside requirement for future years.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 – CONTINGENCIES

A. Litigation

The District is party to various legal proceedings. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse affect on the District's financial position.

B. Foundation Funding

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

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REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 – VIRTUAL COMMUNITY SCHOOL

Key disclosures for Virtual Community School (“the School”) are as follows:

Deposits

At fiscal year-end the carrying amount of the School’s deposits was \$1,314,617 and the bank balance was \$1,273,516, including \$20,183 on deposit in a Paypal account. Of the School’s bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance was collateralized in accordance with Ohio Revised Code, as discussed below.

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

Operating Leases

The School entered into a lease contract with Reynoldsburg City School District for two years and one month commencing on June 1, 2015 and ending on June 30, 2017. The agreement is for rooms and storage space in school building located at 340 Waggoner Road. In exchange for use of the rooms and storage space, the School purchased and provided to the Reynoldsburg City School District the following software/equipment:

- Achieve 3000 \$19,840
- Explore Learning \$2,995
- Brain Pop \$1,695
- Ten Marks \$9,000
- Focabulary \$3,150
- 200 Headpones Not to exceed \$2,000

In addition, the School entered into a lease contract with Gordan Flesch Company INC commencing on July 30, 2015. The agreement is for three copiers valued at \$19,802. Lease payments are \$202 per month from August 2015 through July 2020.

Related Party Transactions

The School has created the Virtual Community School of Ohio Charitable Foundation, Inc. The Foundation is not currently in operation and the School did not make any payments to the Virtual Community School of Ohio Charitable Foundation, Inc. during the fiscal year.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 – EVEREST HIGH SCHOOL

Key disclosures for Everest High School (“the School”) are as follows:

Deposits

At fiscal year-end, the carrying amount of the School’s deposits was \$952,255 and the bank balance was \$954,502, including \$140,000 in certificates of deposit. Of the bank balance, \$390,000 was covered by Federal Deposit Insurance, while the remaining \$564,502 was collateralized in accordance with Ohio Revised Code, as discussed below.

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

Lease Agreement

On June 16, 2014, the School entered into a two-year agreement to lease office space and classrooms starting August 1, 2014 and ending on July 31, 2016. The agreement allows the School to use space at Graham Road Elementary School (1555 Graham Road), Livingston Campus (6699 East Livingston Avenue) and the Summit Campus (8579 Summit Road). During the fiscal year, the School paid the Sponsor \$68,750 for the use of the office space and classrooms.

On June 16, 2015, the School canceled the two-year agreement entered into on June 16, 2014 and entered into a seven-year agreement to lease the school building located at 1555 Graham Road, Reynoldsburg, Ohio starting on June 1, 2015 and ending on June 30, 2022. The School agreed to pay \$75,000 per year in twelve equal monthly installments of \$6,250.

In addition, on August 8, 2014, the School entered into a five-year lease-purchase agreement with GFC Leasing whereas the School leases two copiers. The School agreed to pay \$249 under the lease agreement per month. The final payment is due June 25, 2019. The School paid GFC Leasing \$2,992 for use of the two printers during fiscal year 2015. The following schedule details future lease payments of the School.

<u>Term</u>	<u>Copier Machines**</u>
Fiscal year 2017	\$ 3,072
Fiscal year 2018	3,072
Fiscal year 2019	3,072

** GFC Leasing can increase the lease payment annually. Therefore, the maturity schedule is based on payments made in fiscal year 2016 and is subject to change in future fiscal years.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 – BROOKWOOD ACADEMY

Key disclosures for Brookwood Academy (“the Academy”) are as follows:

Deposits

At fiscal year-end, the carrying amount of the Academy’s deposits was \$6,960 and the bank balance was \$39,682. The Academy’s entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

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

Operating Leases

On July 18, 2015, the Academy entered into a one-year agreement with Brookwood Presbyterian Church for the lease of office space and classrooms at the Brookwood Campus at Brookwood Presbyterian Church. The monthly lease payments were \$12,000. The agreement allows for payments to be made in part, delayed or waived by the Brookwood Presbyterian Church for any given month by the request of the Brookwood Academy. The Academy paid Brookwood Presbyterian Church \$202,000 for use of the space during fiscal year 2016.

Debt

On April 29, 2013, the Academy opened a line of credit with US Bank. The credit limit of \$50,000 and has an annual percentage rate of 6.75%. The changes in the Academy’s obligation during the fiscal year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
US Bank Line of Credit	\$ 50,000	\$ 213,188	\$ (213,188)	\$ 50,000
	<u>\$ 50,000</u>	<u>\$ 213,188</u>	<u>\$ (213,188)</u>	<u>\$ 50,000</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 19 – RESTATEMENT OF FUND BALANCE/NET POSITION

During fiscal year 2016, the District reclassified the Building Fund, Classroom Facilities Fund, Capital Projects Fund and Straight A Grant Fund from major to Other Governmental Funds and reclassified the Education Foundation Fund from Private Purpose Trust to Other Governmental Funds. In addition, the District corrected an excess retainage deposit from previous years.

The effects of these transactions on beginning fund balance/net position are as follows:

	Building Fund	Classroom Facilities Fund	Capital Projects Fund	Straight A Grant Fund
Fund Balance, June 30, 2015	\$ 2,151,099	\$ 3,358,677	\$ 3,920,299	\$ 87,262
Retainage Deposit	-	44,354	-	-
Reclassification of Funds	(2,151,099)	(3,403,031)	(3,920,299)	(87,262)
Fund Balance, July 1, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Other Governmental Funds	Private Purpose Trust	Governmental Activities
Fund Balance/Net Position, June 30, 2015	\$ 2,607,540	\$ 263,911	\$ 44,561,771
Retainage Deposit	-	-	44,354
Reclassification of Funds	9,727,773	(166,082)	166,082
Fund Balance, July 1, 2015	<u>\$ 12,335,313</u>	<u>\$ 97,829</u>	<u>\$ 44,772,207</u>

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2016, the District has implemented the following:

GASB Statement No. 72 “Fair Value Measurement and Application” enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. The implementation of this statement did not have an effect on the financial statements of the District.

GASB Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of the District.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal grantor/Pass through grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Pass-through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ 587,233	\$ -
National School Lunch Program	10.555	N/A	1,766,488	179,980
Summer Food Program for Children	10.559	N/A	46,728	-
Total Nutrition Cluster			<u>2,400,449</u>	<u>179,980</u>
Smarter Lunchroom Grant	10.574	N/A	4,800	
National School Lunch Equipment Grant	10.579	N/A	43,000	
Total U.S. Department of Agriculture			<u>2,448,249</u>	<u>179,980</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Pass-through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States	84.027	N/A	983,343	-
Special Education Preschool Grants	84.173	N/A	13,828	-
Total Special Education Cluster			<u>997,171</u>	<u>-</u>
Title I Grants to Local Educational Agencies	84.010	N/A	1,931,068	
English Language Acquisition Grants	84.365	N/A	71,663	-
Improving Teacher Quality State Grants	84.367	N/A	134,163	-
Twenty-First Century Community Learning Centers	84.287	N/A	124,427	-
Total U.S. Department of Education			<u>3,258,492</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 5,706,741</u>	<u>\$ 179,980</u>

The accompanying notes are an integral part of this schedule.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED June 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Reynoldsburg City School District's (District) 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 presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost principles for State, Local and Indian Tribal Governments* codified in 2 CFR Part 225, and 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 elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

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

Reynoldsburg City School District
Franklin County
7244 East Main Street
Reynoldsburg, Ohio 43068

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Reynoldsburg City School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated December 15, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Controls Over Financial Reporting

As part of our financial statement audit, we considered the 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 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 of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



Charles E. Harris & Associates, Inc.
December 15, 2016

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH OF THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Reynoldsburg City School District
Franklin County
7244 East Main Street
Reynoldsburg, Ohio 43068

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Reynoldsburg City School District's (District) 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 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 District's major federal programs.

Management's Responsibility

The 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 District's compliance for each of the 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

The District's basic financial statements include the operations of the Virtual Community School of Ohio, Everest High School, and Brookwood Academy, component units of the Reynoldsburg City School District. Virtual Community School of Ohio, Everest High School, and Brookwood Academy received \$679,575, \$41,550, and \$286,327, respectively in federal awards during fiscal year 2016, that are not included in the District's Federal Awards Expenditures Schedule for the year ended June 30, 2016. Our audit of Federal awards, described below, did not include the operations of the Virtual Community School of Ohio, Everest High School, and Brookwood Academy. For the fiscal year ended June 30, 2016, Virtual Community School of Ohio required a single audit of their Federal Awards Programs in accordance with the Uniform Guidance, and a separate report has been issued. Everest High School and Brookwood Academy are legally separate from the primary government which this report addresses and expended less than \$750,000 for the fiscal year ended June 30, 2016 and thus were not required to have audits of their federal award programs in accordance with the Uniform Guidance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

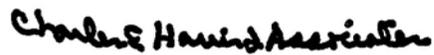
The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable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

Reynoldsburg City School District
Franklin County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each of the Major Federal Programs and on Internal Control
Over Compliance Required by the Uniform Guidance
Page 3

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

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



Charles E. Harris & Associates, Inc.
December 16, 2016

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under 2 CFR § 200.516(a)</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster – CFDA# 10.553, 10.555, 10.559 Title I Grants to Local Educational Agencies: CFDA #84.010
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: >\$750,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (continued)
2 CFR § 200.515
JUNE 30, 2016**

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

**FINDING NUMBER 2016-001
Noncompliance**

Ohio Administrative Code Section 117-2-03 (B) states “All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles.”

The District prepared its financial statements on modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. To be in compliance with the Ohio Administrative Code, the District should use generally accepted accounting principles in future annual reports. Not using principles generally accepted in the United States of America makes the District subject to fines and other administrative remedies.

Official’s Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
For the Year Ended June 30, 2016

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2015-001	Contrary to Ohio Administrative Code Section 117-2-03(B) , District does not prepares its financial report in accordance with accounting principles generally accepted in the United States of America.	No	Reissued as finding # 2016-001.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY

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

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2016-001	In light of the higher costs, absence a material benefit, and financial constraints, RCSD has chosen to prepare non-GAAP financial statements.	N/A	Tammira Miller, Treasurer

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Dave Yost • Auditor of State

REYNOLDSBURG CITY SCHOOL DISTRICT

FRANKLIN 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
MAY 4, 2017