



Dave Yost · Auditor of State

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

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FAYETTE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Washington Court House City School District
Fayette County
306 Highland Avenue
Washington Court House, Ohio 43160

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Court House City School District, Fayette County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards also 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 10, 2017

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Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

Financial Highlights

- In total, the net position of governmental activities increased \$1,355,978.
- General revenues accounted for \$19,860,720 of all revenues and reflect the School District's continued dependence on property taxes and unrestricted State entitlements.
- The School District had \$24,645,653 in expenses related to governmental activities; only \$6,140,911 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily grants and entitlements and property taxes) of \$19,860,720 were adequate to provide for the remaining cost of these programs.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Reporting the School District as a Whole

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

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

In the Statement of Net Position and the Statement of Activities, the School District has only one kind of activity:

- Governmental Activities - All of the School District’s educational programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 12. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds, which are the General Fund and the Bond Retirement Debt Service Fund.

Washington Court House City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds - The School District's fiduciary funds include two private purpose trust funds and two agency funds. The School District has established private purpose trust funds to account for college scholarship programs for its students. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

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

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
 Unaudited

Table 1 provides a summary of the School District's net position for fiscal years 2015 and 2016:

Table 1
 Net Position

	Governmental Activities		
	Restated 2015	2016	Increase/ (Decrease)
Assets			
Current and Other Assets	\$14,235,056	\$15,992,285	\$1,757,229
Capital Assets, Net	64,175,922	62,807,175	(1,368,747)
Total Assets	<u>78,410,978</u>	<u>78,799,460</u>	<u>388,482</u>
Deferred Outflows of Resources	<u>3,416,257</u>	<u>4,201,298</u>	<u>785,041</u>
Liabilities			
Other Liabilities	3,049,548	3,156,528	106,980
Long-Term Liabilities	45,215,282	47,217,719	2,002,437
Total Liabilities	<u>48,264,830</u>	<u>50,374,247</u>	<u>2,109,417</u>
Deferred Inflows of Resources	<u>7,768,478</u>	<u>5,476,606</u>	<u>(2,291,872)</u>
Net Position			
Net Investment in			
Capital Assets	46,171,904	45,469,256	(702,648)
Restricted	4,307,645	4,983,190	675,545
Unrestricted (Deficit)	(24,685,622)	(23,302,541)	1,383,081
Total Net Position	<u>\$25,793,927</u>	<u>\$27,149,905</u>	<u>\$1,355,978</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016, and is reported pursuant to GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Washington Court House City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 requires the net pension liability equal the School District's proportionate share of each plan's collective:

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

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

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

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

An increase occurred within Total Assets when compared to the prior fiscal year. Current and Other Assets increased due to the increase in State funding received by the School District. Capital Assets, Net and Net Investment in Capital Assets decreased due to fiscal year depreciation exceeding fiscal year additions.

Total Liabilities increased as a result of the increase in the net pension liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2016.

Table 2
 Change in Net Position

	Governmental Activities		Increase/ (Decrease)	
	2015	2016		
Revenues				
Program Revenues:				
Charges for Services and Sales	\$1,411,833	\$1,387,509	(\$24,324)	
Operating Grants, Contributions and Interest	4,630,430	4,657,072	26,642	
Capital Grants and Contributions	0	96,330	96,330	
Total Program Revenues	<u>6,042,263</u>	<u>6,140,911</u>	<u>98,648</u>	
General Revenues:				
Property Taxes	5,140,216	5,579,499	439,283	
Revenue in Lieu of Taxes	12,635	13,375	740	
Grants and Entitlements not Restricted to Specific Programs	12,891,032	14,110,437	1,219,405	
Contributions and Donations	9,930	17,072	7,142	
Investment Earnings	13,514	19,912	6,398	
Miscellaneous	110,826	120,425	9,599	
Total General Revenues	<u>18,178,153</u>	<u>19,860,720</u>	<u>1,682,567</u>	
Total Revenues	<u>\$24,220,416</u>	<u>\$26,001,631</u>	<u>\$1,781,215</u>	

(continued)

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2
 Change in Net Position
(continued)

	Governmental Activities		Increase/ (Decrease)	
	2015	2016		
Program Expenses				
Instruction:				
Regular	\$10,457,727	\$10,725,999	\$268,272	
Special	3,582,021	3,814,381	232,360	
Support Services:				
Pupils	1,107,560	1,156,866	49,306	
Instructional Staff	1,043,942	1,087,525	43,583	
Board of Education	21,010	21,240	230	
Administration	1,803,615	1,966,044	162,429	
Fiscal	613,631	665,901	52,270	
Business	764	0	(764)	
Operation and Maintenance of Plant	1,905,876	1,974,831	68,955	
Pupil Transportation	730,973	754,275	23,302	
Central	24,750	19,791	(4,959)	
Operation of Non-Instructional Services	1,076,312	1,074,830	(1,482)	
Extracurricular Activities	737,367	757,462	20,095	
Interest and Fiscal Charges	598,553	626,508	27,955	
Issuance Costs	21,000	0	(21,000)	
Total Expenses	<u>23,725,101</u>	<u>24,645,653</u>	<u>920,552</u>	
Change in Net Position	<u>495,315</u>	<u>1,355,978</u>	<u><u>(\$860,663)</u></u>	
Net Position at Beginning of Year - Restated	<u>24,293,238</u>	<u>25,793,927</u>		
Net Position at End of Year	<u><u>\$25,793,927</u></u>	<u><u>\$27,149,905</u></u>		

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues, accounted for \$6,140,911 of total revenues for the fiscal year, an increase of \$98,648. General revenues represent \$19,860,720 of the School District's total revenues and increased \$1,682,567. The increases are primarily the result of the School District receiving more State funding during fiscal year 2016.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

As should be expected, Instruction costs represent the largest of the School District's expenses, \$14,540,380 for fiscal year 2016. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$2,998,666 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$1,974,831. Therefore, \$19,513,877 of the School District's expenses are related to the primary functions of providing facilities and delivering education.

The School District's Funds

Information about the School District's most significant funds starts on page 17. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25,971,637 and expenditures of \$24,368,699. The net change in fund balance for the General Fund was \$1,190,504, which is an increase from the net change in fund balance from the prior year. This is a result of the result of the School District receiving more State funding during fiscal year 2016.

The Bond Retirement Fund balance decreased \$21,494. This is the result of 2016 debt service requirements being more than 2016 revenue.

General Fund - Budget Highlights

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

During the course of fiscal year 2016, the School District did not revise its budget. The variance in both revenues and expenditures from the original and final budgets compared to actual is insignificant.

The General Fund's ending unobligated cash balance was \$190,827 under the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$62,807,175 invested in capital assets (net of accumulated depreciation), a decrease of \$1,368,747. This decrease is due to fiscal year depreciation exceeding fiscal year additions.

For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Debt

At June 30, 2016, the School District had \$18,605,247 in bonds, accretion, and bond premium outstanding, \$905,000 of which is due within one year. The School District's long-term obligations also include capital lease obligations and compensated absences as well as STRS and SERS net pension liabilities. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Current Issues

A major challenge facing the School District is the level of funding by the Ohio Department of Education. The future is always uncertain with regards to State funding. The School District was fortunate to receive an increase in State funding for the last few fiscal years but will still need to monitor spending and the need for additional revenue sources in the later years of the current five year forecast. In the meantime, the School District will continue to be good stewards of taxpayer dollars and control expenditures to within our means. Such sound financial management has allowed the School District to not return to the ballot for additional monies since 1996. The School District is proud of this rare accomplishment and will be conservative in assessing our needs for additional taxpayer dollars moving into the future.

The School District has developed and implemented a long range capital plan providing for the necessary maintenance and replacement of School District assets over the next 20 years. This is extremely beneficial to the overall planning and budgetary control of the School District and has been incorporated into the current five year forecast giving the School District and our stakeholders a clearer view of our financial picture.

The School District has also been fortunate to have received a cultural grant from the Ohio Facilities Construction Commission to assist in renovations to our Historic Middle School. With the approved 2015-2016 budget, we were able to completely renovate the pipe organ as well as provide some new lighting and sound equipment and new risers and music stands for performances. We have been approved for grant for 2017-2018 that is expected to bring new stage curtains and rigging as the primary scope of work.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Becky Mullins, Treasurer at Washington Court House City School District, 306 Highland Avenue, Washington Court House, Ohio 43160 or e-mail becky.mullins@wchcs.org.

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Washington Court House City School District
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,772,225
Cash and Cash Equivalents with Fiscal Agent	1,275,090
Materials and Supplies Inventory	11,626
Inventory Held for Resale	48,299
Accounts Receivable	6,987
Intergovernmental Receivable	715,721
Property Taxes Receivable	6,148,962
Revenue in Lieu of Taxes Receivable	13,375
Capital Assets:	
Land	477,521
Depreciable Capital Assets, Net	<u>62,329,654</u>
<i>Total Assets</i>	<u>78,799,460</u>
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	1,436,867
Pension	<u>2,764,431</u>
<i>Total Deferred Outflows of Resources</i>	<u>4,201,298</u>
<u>Liabilities:</u>	
Accounts Payable	99,995
Accrued Wages and Benefits Payable	1,944,465
Intergovernmental Payable	325,073
Accrued Interest Payable	53,690
Matured Compensated Absences Payable	18,405
Claims Payable	714,900
Long-Term Liabilities:	
Due Within One Year	1,235,783
Due in More Than One Year:	
Net Pension Liability	27,066,248
Other Amounts Due in More Than One Year	<u>18,915,688</u>
<i>Total Liabilities</i>	<u>50,374,247</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes	3,414,217
Revenue in Lieu of Taxes	13,375
Pension	<u>2,049,014</u>
<i>Total Deferred Inflows of Resources</i>	<u>5,476,606</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	45,469,256
Restricted for:	
Debt Service	2,006,932
Capital Improvements	878,187
Food Service Operations	394,828
School Facilities Maintenance	942,094
District Managed Programs	250,708
Title VI-B Programs	77,564
Title I Programs	192,808
Title II-A Programs	184,339
Other Purposes	55,730
Unrestricted (Deficit)	<u>(23,302,541)</u>
<i>Total Net Position</i>	<u>\$27,149,905</u>

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
	Expenses				
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$10,725,999	\$819,463	\$59,158	\$0	(\$9,847,378)
Special	3,814,381	18,974	3,193,472	0	(601,935)
Vocational	0	0	3,820	0	3,820
Support Services:					
Pupils	1,156,866	11,251	61,506	0	(1,084,109)
Instructional Staff	1,087,525	0	270,023	0	(817,502)
Board of Education	21,240	0	0	0	(21,240)
Administration	1,966,044	0	78,923	0	(1,887,121)
Fiscal	665,901	0	0	0	(665,901)
Operation and Maintenance of Plant	1,974,831	23,825	0	0	(1,951,006)
Pupil Transportation	754,275	0	107,868	0	(646,407)
Central	19,791	0	7,200	0	(12,591)
Operation of Non-Instructional Services:					
Food Service Operations	1,071,464	244,294	758,056	0	(69,114)
Other	3,366	0	0	0	(3,366)
Extracurricular Activities	757,462	269,702	117,046	96,330	(274,384)
Interest and Fiscal Charges	626,508	0	0	0	(626,508)
<i>Total Governmental Activities</i>	<i>\$24,645,653</i>	<i>\$1,387,509</i>	<i>\$4,657,072</i>	<i>\$96,330</i>	<i>(18,504,742)</i>

General Revenues:

Property Taxes Levied for:	
General Purposes	4,023,383
Other Purposes	87,152
Debt Service	1,114,863
Capital Outlay	354,101
Grants and Entitlements not Restricted to:	
Specific Programs	14,110,437
Revenue in Lieu of Taxes	13,375
Contributions and Donations	17,072
Investment Earnings	19,912
Miscellaneous	120,425
<i>Total General Revenues</i>	<i>19,860,720</i>
<i>Change in Net Position</i>	<i>1,355,978</i>
<i>Net Position at Beginning of Year - Restated (See Note 21)</i>	<i>25,793,927</i>
<i>Net Position at End of Year</i>	<i>\$27,149,905</i>

See accompanying notes to the basic financial statements

Washington Court House City School District

Balance Sheet

Governmental Funds

June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,767,884	\$1,740,932	\$2,263,409	\$7,772,225
Cash and Cash Equivalents with Fiscal Agent	1,275,090	0	0	1,275,090
Receivables:				
Property Taxes	4,326,416	1,330,220	492,326	6,148,962
Revenue in Lieu of Taxes	9,605	2,699	1,071	13,375
Accounts	6,987	0	0	6,987
Intergovernmental	25,302	0	690,419	715,721
Interfund	262,455	0	0	262,455
Inventory Held for Resale	0	0	48,299	48,299
Materials and Supplies Inventory	0	0	11,626	11,626
<i>Total Assets</i>	<u>\$9,673,739</u>	<u>\$3,073,851</u>	<u>\$3,507,150</u>	<u>\$16,254,740</u>
<u>Liabilities:</u>				
Accounts Payable	\$93,197	\$0	\$6,798	\$99,995
Accrued Wages and Benefits Payable	1,748,714	0	195,751	1,944,465
Intergovernmental Payable	298,818	0	26,255	325,073
Interfund Payable	0	0	262,455	262,455
Matured Compensated Absences Payable	18,405	0	0	18,405
Claims Payable	714,900	0	0	714,900
<i>Total Liabilities</i>	<u>2,874,034</u>	<u>0</u>	<u>491,259</u>	<u>3,365,293</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	2,355,242	783,069	275,906	3,414,217
Revenue in Lieu of Taxes	9,605	2,699	1,071	13,375
Unavailable Revenues	361,071	95,379	575,127	1,031,577
<i>Total Deferred Inflows of Resources</i>	<u>2,725,918</u>	<u>881,147</u>	<u>852,104</u>	<u>4,459,169</u>
<u>Fund Balances:</u>				
Nonspendable	0	0	11,626	11,626
Restricted	0	2,192,704	2,426,731	4,619,435
Assigned	443,633	0	0	443,633
Unassigned (Deficit)	3,630,154	0	(274,570)	3,355,584
<i>Total Fund Balances</i>	<u>4,073,787</u>	<u>2,192,704</u>	<u>2,163,787</u>	<u>8,430,278</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$9,673,739</u></u>	<u><u>\$3,073,851</u></u>	<u><u>\$3,507,150</u></u>	<u><u>\$16,254,740</u></u>

See accompanying notes to the basic financial statements

Washington Court House City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances \$8,430,278

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	477,521
Other capital assets	80,071,244
Accumulated depreciation	<u>(17,741,590)</u>
Total capital assets	62,807,175

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenues in the funds.

Delinquent property taxes	468,831
Intergovernmental	<u>562,746</u>
	1,031,577

Deferred outflows of resources include deferred charges on refundings which do not consume current financial resources and, therefore, are not reported in the funds. 1,436,867

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	2,764,431
Deferred Inflows - Pension	(2,049,014)
Net Pension Liability	<u>(27,066,248)</u>
	(26,350,831)

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (53,690)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(16,963,765)
Bond premium	(1,641,482)
Capital leases	(397,000)
Compensated absences	<u>(1,149,224)</u>
Total liabilities	<u>(20,151,471)</u>

Net Position of Governmental Activities \$27,149,905

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$3,966,267	\$1,098,708	\$434,865	\$5,499,840
Intergovernmental	15,871,740	282,662	2,647,485	18,801,887
Investment Earnings	19,912	0	821	20,733
Tuition and Fees	838,437	0	0	838,437
Rent	0	0	23,825	23,825
Extracurricular Activities	11,251	0	257,779	269,030
Contributions and Donations	12,812	0	116,306	129,118
Customer Sales and Services	0	0	254,967	254,967
Revenue in Lieu of Taxes	9,605	2,699	1,071	13,375
Miscellaneous	102,903	0	17,522	120,425
<i>Total Revenues</i>	<i>20,832,927</i>	<i>1,384,069</i>	<i>3,754,641</i>	<i>25,971,637</i>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,013,304	0	67,654	10,080,958
Special	2,451,034	0	1,119,026	3,570,060
Support Services:				
Pupils	1,056,680	0	62,957	1,119,637
Instructional Staff	688,128	0	237,620	925,748
Board of Education	15,438	0	0	15,438
Administration	1,789,769	0	73,987	1,863,756
Fiscal	590,295	34,413	13,607	638,315
Operation and Maintenance of Plant	1,729,249	0	108,525	1,837,774
Pupil Transportation	654,136	0	85,400	739,536
Central	11,458	0	7,833	19,291
Operation of Non-Instructional Services:				
Food Service Operations	10,857	0	944,053	954,910
Other	2,070	0	116	2,186
Extracurricular Activities	304,227	0	328,851	633,078
Capital Outlay	281,665	0	96,694	378,359
Debt Service:				
Principal Retirement	25,000	783,690	152,363	961,053
Interest and Fiscal Charges	19,113	506,150	22,027	547,290
Capital Appreciation Bond Accretion	0	81,310	0	81,310
<i>Total Expenditures</i>	<i>19,642,423</i>	<i>1,405,563</i>	<i>3,320,713</i>	<i>24,368,699</i>
<i>Net Change in Fund Balances</i>	<i>1,190,504</i>	<i>(21,494)</i>	<i>433,928</i>	<i>1,602,938</i>
<i>Fund Balances at Beginning of Year</i>	<i>2,883,283</i>	<i>2,214,198</i>	<i>1,729,859</i>	<i>6,827,340</i>
<i>Fund Balances at End of Year</i>	<i>\$4,073,787</i>	<i>\$2,192,704</i>	<i>\$2,163,787</i>	<i>\$8,430,278</i>

See accompanying notes to the basic financial statements

Washington Court House City School District
*Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds	\$1,602,938
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*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

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

Capital assets additions	247,407
Construction in progress additions	283,103
Depreciation expense	(1,852,382)
Excess of depreciation expense over capital outlay	(1,321,872)

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale.

Loss on disposal of capital assets	(46,875)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are reported as unavailable revenues in the governmental funds.

Delinquent property taxes	79,659
Intergovernmental	(31,176)
Miscellaneous	(18,489)
	29,994

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These amounts consist of:

Increase in accrued interest	(3,289)
Amortization of deferred charge on refunding	(79,826)
Accretion on bonds	(89,902)
Amortization of bond premium	93,799
	(79,218)

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

1,676,493

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

(1,484,757)

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

Bond payments	808,690
Payment of Accretion	81,310
Capital lease payments	152,363
Total long-term debt repayment	1,042,363

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(63,088)
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Change in Net Position of Governmental Activities

\$1,355,978

See accompanying notes to the basic financial statements

Washington Court House City School District
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property Taxes	\$4,019,630	\$4,019,630	\$3,962,607	(\$57,023)
Intergovernmental	16,001,841	16,001,841	15,871,740	(130,101)
Investment Earnings	13,500	13,500	18,210	4,710
Tuition and Fees	891,500	891,500	838,437	(53,063)
Rent	250	250	0	(250)
Customer Sales and Services	50	50	0	(50)
Revenue in Lieu of Taxes	9,000	9,000	9,605	605
Miscellaneous	26,375	26,375	40,046	13,671
<i>Total Revenues</i>	<i>20,962,146</i>	<i>20,962,146</i>	<i>20,740,645</i>	<i>(221,501)</i>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,690,238	9,690,238	9,801,841	(111,603)
Special	2,469,282	2,469,282	2,424,089	45,193
Support Services:				
Pupils	1,025,725	1,025,725	1,023,146	2,579
Instructional Staff	664,162	664,162	756,613	(92,451)
Board of Education	19,918	19,918	15,742	4,176
Administration	1,700,029	1,700,029	1,730,309	(30,280)
Fiscal	626,337	626,337	602,783	23,554
Operation and Maintenance of Plant	1,901,982	1,901,982	1,777,343	124,639
Pupil Transportation	696,849	696,849	658,540	38,309
Central	21,816	21,816	14,494	7,322
Operation of Non-Instructional Services:				
Food Service Operations	2,700	2,700	1,495	1,205
Other	575	575	0	575
Extracurricular Activities	302,143	302,143	380,642	(78,499)
Capital Outlay	424,380	424,380	353,118	71,262
Debt Service:				
Principal Retirement	25,000	25,000	25,000	0
Interest and Fiscal Charges	19,114	19,114	19,113	1
<i>Total Expenditures</i>	<i>19,590,250</i>	<i>19,590,250</i>	<i>19,584,268</i>	<i>5,982</i>
Excess of Revenues Over (Under) Expenditures	1,371,896	1,371,896	1,156,377	(215,519)
<u>Other Financing Sources:</u>				
Insurance Recoveries	0	0	771	771
Refund of Prior Year Expenditures	0	0	23,921	23,921
<i>Total Other Financing Sources</i>	<i>0</i>	<i>0</i>	<i>24,692</i>	<i>24,692</i>
<i>Net Change in Fund Balance</i>	<i>1,371,896</i>	<i>1,371,896</i>	<i>1,181,069</i>	<i>(190,827)</i>
<i>Fund Balance at Beginning of Year</i>	<i>1,555,478</i>	<i>1,555,478</i>	<i>1,555,478</i>	<i>0</i>
<i>Prior Year Encumbrances Appropriated</i>	<i>669,719</i>	<i>669,719</i>	<i>669,719</i>	<i>0</i>
<i>Fund Balance at End of Year</i>	<i>\$3,597,093</i>	<i>\$3,597,093</i>	<i>\$3,406,266</i>	<i>(\$190,827)</i>

See accompanying notes to the basic financial statements

Washington Court House City School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Private Purpose Trust Funds	Agency
<hr/>		
<u>Assets:</u>		
<hr/>		
Equity in Pooled Cash and Cash Equivalents	<u>\$756,668</u>	<u>\$41,777</u>
<hr/>		
<u>Liabilities:</u>		
Undistributed Monies	<u>0</u>	<u>\$41,777</u>
<hr/>		
<u>Net Position:</u>		
Held in Trust for Scholarships	<u>\$756,668</u>	

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
<u>Additions:</u>	
Contributions and Donations	\$60,455
Investment Earnings	1,806
Miscellaneous	<u>1,000</u>
<i>Total Additions</i>	63,261
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	<u>46,470</u>
<i>Increase in Net Position</i>	16,791
<i>Net Position at Beginning of Year</i>	<u>739,877</u>
<i>Net Position at End of Year</i>	<u>\$756,668</u>

See accompanying notes to the basic financial statements

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Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the School District and Reporting Entity

Description of the School District

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

The heritage of the Washington Court House City Schools began in 1813 when Samuel Loofborrow converted half of his double log cabin at the corner of Hinde and Paint Streets into a subscription school supported by the parents of his pupils.

Numerous one-room schools sprang up throughout the community during the 1800’s. By 1856, a site on North Street was purchased and a new two-story eight-room school was built. In 1872, the building was upgraded and shortly thereafter, the system was approved as what was known as a “first grade” school which allowed it to conduct high school level courses.

In 1876, the Washington High School and Fayette County had its first high school graduates when three students, a boy and two girls, received their diplomas after studying Latin, Greek, French, logic, trigonometry, mental and moral philosophy and natural sciences using college textbooks.

The School District owns nine facilities: two elementary buildings (Cherry Hill and Belle Aire), two middle schools (Washington Middle School and historical middle school), one high school (Washington High School), one Educational Service Center (School District office), Gardner Park Sports Complex, High School Athletic Complex, and Liberty Hall.

The School District is located in Fayette County and is staffed by 102 non-certificated employees, and 164 certificated employees who provide services to 2,197 students and other community members.

Reporting Entity

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are presented in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association

Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

South Central Ohio Insurance Consortium

Ohio School Plan

The financial statements of the Washington Court House City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Governmental Funds

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

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

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

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

Fiduciary Funds

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

The private purpose trust funds are reported using the economic resources measurement focus.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance and grants.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide Statement of Net Position, as well as for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources included property taxes, revenue in lieu of taxes, unavailable revenue, and pension. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position (See Note 10).

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Expenses/Expenditures

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

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

Pensions

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

Cash and Cash Equivalents

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

"Cash and Cash Equivalents with Fiscal Agent" represents monies on hand with the fiscal agent for medical insurance cash balances for the self-insurance program which began on July 1, 2007, with the South Central Ohio Insurance Consortium.

During fiscal year 2016, the School District's investments included State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$19,912, which includes \$11,093 assigned from other School District funds.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of purchased food held for resale and consumable materials and supplies.

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the fiscal year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	5 - 10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable”. These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On the governmental fund financial statements compensated absences are recognized as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

Fund Balance

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Nonspendable

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

Restricted

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the general fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute.

Unassigned

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

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

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

Estimates

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Budgetary Process

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

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year, including all supplemental appropriations.

Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable. On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds are not reported.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 2 – FUND BALANCES

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

Fund Balances	General	Bond	Other	
		Retirement	Governmental Funds	Total
<i>Nonspendable</i>				
Materials and Supplies Inventory	\$0	\$0	\$11,626	\$11,626
<i>Restricted for</i>				
Debt Payment	0	2,192,704	0	2,192,704
Food Service Operations	0	0	383,202	383,202
School Facilities Maintenance	0	0	934,690	934,690
District Managed Activities	0	0	249,458	249,458
Miscellaneous Grants	0	0	11,473	11,473
Capital Improvements	0	0	847,908	847,908
<i>Total Restricted</i>	<i>0</i>	<i>2,192,704</i>	<i>2,426,731</i>	<i>4,619,435</i>
<i>Assigned to</i>				
Other Purposes	443,633	0	0	443,633
<i>Unassigned (Deficit)</i>	<i>3,630,154</i>	<i>0</i>	<i>(274,570)</i>	<i>3,355,584</i>
<i>Total Fund Balances</i>	<i>\$4,073,787</i>	<i>\$2,192,704</i>	<i>\$2,163,787</i>	<i>\$8,430,278</i>

NOTE 3 – ACCOUNTABILITY

At June 30, 2016, the Special Education-IDEA, Title I, and Title II-A Special Revenue Funds and the New Building Locally Funded Capital Projects Fund had deficit fund balances of \$16,961, \$19,605, \$660, and \$237,344, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Certain funds are accounted for as separate funds internally within legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$1,190,504
Adjustments:	
Revenue Accruals	6,874
Expenditure Accruals	530,902
Encumbrances	(507,351)
Perspective Difference	(39,860)
Budget Basis	<u><u>\$1,181,069</u></u>

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Washington Court House City School District

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. Investments may only be made through specified dealers and institutions.

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

		Investment Maturities in Years	
	Fair Value	Less than 1	S&P Rating
STAROhio	\$2,715,768	\$2,715,768	AAAm

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk: The S&P ratings of the School District's investments are listed in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by United States government sponsored enterprises.

At June 30, 2016, the School District had a balance of \$1,275,090 with the SCOIC, a risk sharing, claims servicing, and insurance purchasing pool (See Note 16). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the SCOIC as a whole may be obtained from their fiscal agent.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 6 – PROPERTY TAXES

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

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

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

The Fayette County Treasurer collects property taxes on behalf of all local governments in the County. The Fayette County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amounts available as an advance at June 30, 2016, were \$2,265,914 and are recognized as revenue: \$1,635,405 in the General Fund, \$451,772 in the Bond Retirement Debt Service Fund, and \$178,737 in the Other Governmental Funds. The amounts available as an advance at June 30, 2015, were \$2,266,332 and are recognized as revenue: \$1,631,745 in the General Fund, \$454,710 in the Bond Retirement Debt Service Fund, and \$179,877 in the Other Governmental Funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 6 – PROPERTY TAXES (*continued*)

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

	2015 Second-Half Collections		2016 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$197,211,990	97.38%	\$196,282,080	97.27%
Public Utility Personal	5,300,480	2.62%	5,515,390	2.73%
Total Assessed Value	<u>\$202,512,470</u>	<u>100.00%</u>	<u>\$201,797,470</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.15		\$45.15	

Revenue in Lieu of Taxes

The School District is party to Tax Increment Financing (TIF) agreements. Municipalities, townships, and counties can enter into TIF agreements which lock in real property at its unimproved value for up to 30 years in a defined TIF district. Some TIF agreements also require the TIF government to allocate service payments to school districts and other governments to help offset the property taxes these governments would have received had the improvements to real property not been exempted. The service payments that the School District receives as part of TIF agreements are presented on the financial statements as Revenue in Lieu of Taxes.

NOTE 7 – RECEIVABLES

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 7 – RECEIVABLES (*continued*)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General Fund:	
SERS Receivable	\$25,302
Other Governmental Funds:	
Athletic Entry Fees	1,563
Title I	287,610
Special Education, Part B-IDEA	153,998
Title II-A, Improving Teacher Quality	202,663
Title VI-B, Rural and Low-Income	43,006
Early Childhood Special Education, IDEA	1,579
Total Intergovernmental Receivables	<u>\$715,721</u>

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 8 – CAPITAL ASSETS

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

	Balance at 6/30/15	Additions	Deductions	Balance at 6/30/16
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$477,521	\$0	\$0	\$477,521
Construction in Progress	411,073	283,103	(694,176)	0
Total Capital Assets Not Being Depreciated	<u>888,594</u>	<u>283,103</u>	<u>(694,176)</u>	<u>477,521</u>
Capital Assets Being Depreciated:				
Land Improvements	6,185,852	22,750	(520,474)	5,688,128
Buildings and Improvements	69,646,383	694,991	(55,685)	70,285,689
Furniture, Fixtures, and Equipment	2,705,711	136,092	(121,817)	2,719,986
Vehicles	1,343,575	87,750	(53,884)	1,377,441
Total Capital Assets Being Depreciated	<u>79,881,521</u>	<u>941,583</u>	<u>(751,860)</u>	<u>80,071,244</u>
Less Accumulated Depreciation:				
Land Improvements	(4,327,967)	(99,824)	520,474	(3,907,317)
Buildings and Improvements	(10,014,142)	(1,407,679)	37,792	(11,384,029)
Furniture, Fixtures, and Equipment	(1,268,515)	(287,433)	92,835	(1,463,113)
Vehicles	(983,569)	(57,446)	53,884	(987,131)
Total Accumulated Depreciation	<u>(16,594,193)</u>	<u>(1,852,382)</u> *	<u>704,985</u>	<u>(17,741,590)</u>
Total Capital Assets Being Depreciated, Net	<u>63,287,328</u>	<u>(910,799)</u>	<u>(46,875)</u>	<u>62,329,654</u>
Governmental Activities				
Capital Assets, Net	<u>\$64,175,922</u>	<u>(\$627,696)</u>	<u>(\$741,051)</u>	<u>\$62,807,175</u>

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 8 – CAPITAL ASSETS (*continued*)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$675,717
Special	262,294
Support Services:	
Pupils	48,176
Instructional Staff	190,497
Board of Education	5,683
Administration	139,176
Fiscal	21,412
Operation and Maintenance of Plant	143,836
Pupil Transportation	102,867
Central	500
Operation of Non-Instructional Services:	
Food Service Operations	114,165
Extracurricular Activities	148,059
Total Depreciation Expense	<u><u>\$1,852,382</u></u>

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to Hylant Administrative Services, LLC (See Note 16).

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

The School District pays all elected and appointed officials' bonds by statute.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 9 – RISK MANAGEMENT (*continued*)

The School District provides a limited medical, surgical, and prescription drug insurance program for its employees. The School District joined the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool (Note 16), on July 1, 2005. As of July 1, 2005, the School District's medical, surgical, and prescription drug was considered traditional premium insurance. Beginning July 1, 2007, medical, surgical, and prescription drug were all considered self-insured programs due to the School District retaining the risk. Claims are paid by the School District to the SCOIC. SCOIC contracts with Employee Benefits Management Corporation (EBMC) to service the claims of SCOIC members. The School District pays monthly medical premiums up to \$1,817 for certified and classified employees for family coverage and up to \$662 for certified and classified employees for single coverage. The premiums paid are used for claims, claim reserves, and administrative costs. The School District had shared risk pool coverage with SCOIC which covered individual claims in excess of \$75,000 up to \$500,000 per employee per year for medical claims. The School District also had a stop loss coverage insurance policy through SCOIC which covered individual claims in excess of \$500,000 per employee per year for medical claims.

The claims liability at June 30, 2016 reported in the General Fund of \$714,900 is based on an estimate provided by an actuary for medical claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years, including medical, surgical, and prescription drug, are as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2015	\$281,100	\$2,553,307	\$2,442,607	\$391,800
2016	391,800	2,928,941	2,605,841	714,900

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – School Employees Retirement System

Plan Description –School District non-teaching employees participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT 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 years of service: 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

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

The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2016, 2015, and 2014 were \$453,191, \$432,167, and \$331,137, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description – State Teachers Retirement System of Ohio

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer 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.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB Statement No. 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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS Ohio was \$1,223,302 for fiscal year 2016. Of this amount, \$201,808 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$4,608,695	\$22,457,553	\$27,066,248
Proportion of the Net Pension			
Liability	0.080768%	0.081259%	
Pension Expense	\$474,798	\$1,009,959	\$1,484,757

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$62,739	\$1,025,199	\$1,087,938
School District contributions subsequent to the measurement date	453,191	1,223,302	1,676,493
Total Deferred Outflows of Resources	<u>\$515,930</u>	<u>\$2,248,501</u>	<u>\$2,764,431</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$225,557	\$1,642,344	\$1,867,901
Changes in proportion and difference between School District contributions and proportionate share of contributions	24,167	156,946	181,113
Total Deferred Inflows of Resources	<u>\$249,724</u>	<u>\$1,799,290</u>	<u>\$2,049,014</u>

\$1,676,493 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$85,372)	(\$412,318)	(\$497,690)
2018	(85,372)	(412,318)	(497,690)
2019	(85,726)	(412,317)	(498,043)
2020	69,484	462,862	532,346
Total	<u>(\$186,986)</u>	<u>(\$774,091)</u>	<u>(\$961,077)</u>

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS

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

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

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

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

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

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

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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 average 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:

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

Discount Rate – The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

		Current	
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$6,390,603	\$4,608,695	\$3,108,181

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.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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:

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

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

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

	Current		
	1% Decrease	Discount Rate	1% Increase
	(6.75%)	(7.75%)	(8.75%)
School District's proportionate share of the net pension liability	\$31,195,235	\$22,457,553	\$15,068,540

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

NOTE 11 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$39,417.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 11 – POSTEMPLOYMENT BENEFITS (*continued*)

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$68,923, and \$43,874, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$85,796, respectively. The full amount has been contributed for all three fiscal years.

NOTE 12 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators up to a maximum of 60 days upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for teachers and classified employees.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 12 – EMPLOYEE BENEFITS (*continued*)

Insurance

The School District provides medical, surgical, and prescription drug coverage to employees through the South Central Ohio Insurance Consortium (Note 16).

The School District also provides dental insurance through Delta Dental and offers vision insurance through Vision Plus.

Deferred Compensation

School District employees may participate in the VOYA Financial Deferred Compensation Plan or Ohio Deferred Compensation. These plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 13 – LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capitalized leases for copier equipment and laptop computers. The capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The equipment acquired by lease was initially capitalized in the amount of \$800,729 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2016 totaled \$152,363 and were paid from the Permanent Improvement Fund.

The assets acquired through capital leases as of June 30, 2016, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Equipment	<u>\$800,729</u>	<u>(\$398,133)</u>	<u>\$402,596</u>

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 13 – LEASES - LESSEE DISCLOSURE (*continued*)

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

Fiscal Year Ending June 30,	Total Payments
2017	\$174,390
2018	174,390
2019	50,743
2020	29,600
Total	429,123
Less: Amount Representing Interest	(32,123)
Present Value of Net Minimum Lease Payments	\$397,000

NOTE 14 – LONG-TERM OBLIGATIONS

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

	Restated Amount Outstanding 6/30/15	Additions	Deductions	Amount Outstanding 6/30/16	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2005 Various Purpose School					
Improvement Bonds:					
Capital Appreciation Bonds 1.452%	\$1,020,000	\$0	\$513,690	\$506,310	\$506,310
2013-2014 Various Purpose School					
Improvement Refunding Bonds:					
Term Bonds 3.50 to 4.00%	2,605,000	0	0	2,605,000	0
Serial Bonds 1.50 to 5.00%	13,010,000	0	270,000	12,740,000	270,000
Capital Appreciation Bonds 2.55 to 3.30%	189,994	0	0	189,994	0
Accretion on Capital Appreciation Bonds	218,869	89,902	81,310	227,461	88,690
Premium on Debt Issue	1,735,281	0	93,799	1,641,482	0
2015 School Energy Conservation					
Improvement Serial Bonds 2.51%	720,000	0	25,000	695,000	40,000
Net Pension Liability:					
STRS	19,961,133	2,496,420	0	22,457,553	0
SERS	4,119,506	489,189	0	4,608,695	0
Compensated Absences	1,086,136	132,386	69,298	1,149,224	172,841
Capital Leases	549,363	0	152,363	397,000	157,942
Total Governmental Activities					
Long-Term Obligations	<u>\$45,215,282</u>	<u>\$3,207,897</u>	<u>\$1,205,460</u>	<u>\$47,217,719</u>	<u>\$1,235,783</u>

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS *(continued)*

2005 Various Purpose School Improvement General Obligation Bonds

On October 1, 2005, the School District issued \$21,000,000 in voted general obligation bonds for the purpose of constructing new classroom facilities. Current interest bonds were issued in an aggregate principal amount of \$19,980,000. Of these bonds, \$4,225,000 are serial bonds and \$15,755,000 are term bonds. The bonds were issued for a 28 year period with final maturity in December 2033.

The capital appreciation bonds, issued at \$1,020,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017, with a maturity amount of \$595,000 in each year. For fiscal year 2016, the capital appreciation bonds were accreted \$13,462.

2013-2014 Various Purpose School Improvement Refunding Bonds

During fiscal year 2014, the School District refunded the 2005 Various Purpose School Improvement General Obligation Bonds in two series. The 2013 series Various School Improvement Refunding Bonds were issued on November 7, 2013 and the 2014 series Various Purpose School Improvement Refunding Bonds were issued on April 15, 2014.

As a result of the refunding, \$16,350,000 of the 2005 Various Purpose School Improvement General Obligation Bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the School District's financial statements. As of June 30, 2016, all of the bonds were matured and paid.

The term bonds, issued at \$2,605,000 and maturing on December 1, 2029, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2024 and each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Amount
2025	\$35,000
2026	35,000
2027	35,000
2028	1,185,000
2029	1,180,000
Total	<u><u>\$2,470,000</u></u>

Unless otherwise called for redemptions, the remaining \$135,000 principal amount of the bonds due December 1, 2027 and 2029 (\$95,000 and \$40,000, respectively) is to be paid at stated maturity.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS *(continued)*

The serial bonds issued at \$13,555,000, with maturity dates of December 1, 2013, to December 1, 2033, are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after December 1, 2023, at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$189,994, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2022, 2023, and 2024 with a maturity amount of \$790,000, \$35,000, and \$1,070,000 in the maturing fiscal years, respectively. For fiscal year 2016, the capital appreciation bonds were accreted \$76,440.

2015 School Energy Conservation Improvement Bonds

During fiscal year 2015, the School District issued School Energy Conservation Improvement Bonds in the amount of \$720,000. The term bonds, maturing on December 1, 2029, are subject to mandatory sinking fund redemption.

The 2005 and 2013-2014 School Improvement Bonds will be retired from the Bond Retirement Debt Service Fund. The 2015 School Energy Conservation Improvement Bonds will be retired from the General Fund from realized savings.

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund. Capital lease obligations will be paid from the Permanent Improvement Fund.

The School District's overall legal debt margin was \$4,313,172 with an energy conservation debt margin of \$1,121,177 and an unvoted debt margin of \$201,797 at June 30, 2016.

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

Various Purpose School Improvement Refunding Bonds							
Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest	Capital Total
2017	\$0	\$0	\$270,000	\$501,450	\$506,310	\$88,690	\$1,366,450
2018	0	0	870,000	492,237	0	0	1,362,237
2019	0	0	890,000	478,363	0	0	1,368,363
2020	0	0	900,000	464,250	0	0	1,364,250
2021			915,000	448,000			1,363,000
2022-2026	70,000	386,000	3,150,000	1,169,063	189,994	1,705,006	6,670,063
2027-2031	2,535,000	843,088	2,375,000	263,012	0	0	6,016,100
2032-2034	0	0	3,370,000	176,000	0	0	3,546,000
Total	<u>\$2,605,000</u>	<u>\$1,229,088</u>	<u>\$12,740,000</u>	<u>\$3,992,375</u>	<u>\$696,304</u>	<u>\$1,793,696</u>	<u>\$23,056,463</u>

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (*continued*)

School Energy Conservation Improvement Bonds

Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Total
2017	\$40,000	\$16,942	\$56,942
2018	45,000	15,876	60,876
2019	45,000	14,746	59,746
2020	45,000	13,617	58,617
2021	45,000	12,487	57,487
2022-2026	250,000	43,925	293,925
2027-2030	225,000	11,484	236,484
Total	<u>\$695,000</u>	<u>\$129,077</u>	<u>\$824,077</u>

NOTE 15 – INTERFUND ACTIVITY

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

Receivable	
General	
Payable	
Other Governmental Funds	<u>\$262,455</u>

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

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

Jointly Governed Organizations

Miami Valley Educational Computer Association

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 24 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a Board of Directors consisting of superintendents and treasurers of the members' school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid MVECA \$387,067 for services during the fiscal year. Financial information can be obtained from Thor Sage, who serves as Director, at 330 E. Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of 153 school districts in 23 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by SOEPC. Each member district has one voting representative. Any district withdrawing from SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. During the fiscal year, the School District paid \$1,245 to SOEPC for membership. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS *(continued)*

Insurance Purchasing Pools

South Central Ohio Insurance Consortium

The School District is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. Members include 19 public entities with approximately 4,000 employee lives covered for medical and prescription benefits with 24 different plan designs in place as well as dental, vision, life, and accidental death and dismemberment insurances. The Liberty Union-Thurston Local School District serves as the fiscal agent for the SCOIC.

SCOIC contracts with the Jefferson Health Plan (formerly, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)), for internal pool and stop loss coverage. The SCOIC members are considered self-insured and pay a monthly premium to SCOIC that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. SCOIC members participate in the shared risk pool through the Jefferson Health Plan for individual claims from \$75,000 to \$500,000. SCOIC members are then covered under stop loss coverage for claims over \$500,000. In the event that the School District would withdraw from SCOIC, the School District would be required to give a 180 day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share in any surplus funds of SCOIC. To obtain financial information for the SCOIC, write to the fiscal agent, Liberty Union-Thurston Local School District, 600 Washington Street, Baltimore, Ohio 43105.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS *(continued)*

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the OSP to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing for the OSP. The Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

NOTE 17 – SET-ASIDE CALCULATIONS

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

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

	<u>Capital Acquisitions</u>
Set-aside Balance as of June 30, 2015	\$0
Current Fiscal Year Set-aside Requirement	387,975
Current Fiscal Year Offsets	(237,612)
Qualifying Disbursements	(150,363)
Set-aside Balance as of June 30, 2016	<u>\$0</u>
Required Set-aside Balances Carried	
Forward to Fiscal Year 2017	<u><u>\$0</u></u>

Although the School District had offsets and qualifying expenditures for capital acquisitions that exceeded the set-aside requirements, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore are not presented as being carried forward to the next fiscal year.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 18 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

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

Litigation

The School District is currently not party to any civil legal proceedings.

NOTE 19 – SIGNIFICANT COMMITMENTS

Encumbrances

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

	<u>Amount</u>
General Fund	\$507,351
Other Governmental Funds	207,901

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2016, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The School District participated in StarOhio Plus which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated GASB Statement No. 79 guidance into its fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Washington Court House City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 21 – RESTATEMENT OF LONG-TERM OBLIGATIONS AND NET POSITION

During fiscal year 2016, an error was discovered in reporting the Accretion on Capital Appreciation Bonds. The correction of this error has the following effect on net position as reported on June 30, 2015:

	<u>Amount</u>
Long-Term Obligations - June 30, 2015	\$46,220,656
Adjustment for the Overstatement of Accretion on Capital Appreciation Bonds	(1,005,374)
Restated Long-Term Obligations - June 30, 2015	\$45,215,282
Net Position - June 30, 2015	\$24,788,553
Adjustment for the Overstatement of Accretion on Capital Appreciation Bonds	1,005,374
Restated Net Position - June 30, 2015	\$25,793,927

Washington Court House City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.008077%	0.081398%	0.081398%
School District's Proportionate Share of the Net Pension Liability	\$4,608,695	\$4,119,506	\$4,840,478
School District's Covered-Employee Payroll	\$3,278,961	\$2,389,156	\$2,102,153
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	140.55%	172.43%	230.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

Washington Court House City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.081259%	0.082065%	0.082065%
School District's Proportionate Share of the Net Pension Liability	\$22,457,553	\$19,961,133	\$23,777,571
School District's Covered-Employee Payroll	\$8,858,336	\$9,029,800	\$8,658,723
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	253.52%	221.06%	274.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

Washington Court House City School District

*Required Supplementary Information
Schedule of School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$453,191	\$432,167	\$331,137	\$290,938	\$301,268	\$294,000	\$370,356	\$224,118	\$198,618	\$244,704
Contributions in Relation to the Contractually Required Contribution	(453,191)	(432,167)	(331,137)	(290,938)	(301,268)	(294,000)	(370,356)	(224,118)	(198,618)	(244,704)
Contribution Deficiency (Excess)	<u>\$0</u>									
School District Covered-Employee Payroll	\$3,237,079	\$3,278,961	\$2,389,156	\$2,102,153	\$2,239,911	\$2,338,902	\$2,735,273	\$2,277,622	\$2,022,587	\$2,291,236
Contribution as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Washington Court House City School District

Required Supplementary Information

Schedule of School District's Contributions

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$1,223,302	\$1,240,167	\$1,173,874	\$1,125,634	\$1,156,985	\$1,290,114	\$1,215,706	\$1,182,302	\$1,074,340	\$1,165,162
Contributions in Relation to the Contractually Required Contribution	(1,223,302)	(1,240,167)	(1,173,874)	(1,125,634)	(1,156,985)	(1,290,114)	(1,215,706)	(1,182,302)	(1,074,340)	(1,165,162)
Contribution Deficiency (Excess)	<u>\$0</u>									
School District Covered-Employee Payroll	\$8,737,871	\$8,858,336	\$9,029,800	\$8,658,723	\$8,899,885	\$9,923,954	\$9,351,585	\$9,094,631	\$8,264,154	\$8,962,785
Contribution as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	3L60	10.555		\$32,835		\$32,835
Cash Assistance:						
National School Breakfast Program	3L70	10.553	180,530		180,530	
National School Lunch Program	3L60	10.555	529,268		529,268	
Total Nutrition Cluster			709,798	32,835	709,798	32,835
Total Department of Agriculture			709,798	32,835	709,798	32,835
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States - (IDEA Part B)	3M20 - 2015	84.027	81,300		51,668	
Special Education Grants to States - (IDEA Part B)	3M20 - 2016	84.027	393,182		399,783	
Special Education- Preschool Grants	3C50 - 2015	84.173	1,753		0	
Special Education - Preschool Grants	3C50 - 2016	84.173	4,000		4,000	
Total Special Education Grants to States Cluster			480,235	0	455,451	0
Title I Grants to Local Educational Agencies	3M00 - 2015	84.010	122,825		95,331	
Title I Grants to Local Educational Agencies	3M00 - 2016	84.010	603,252		609,679	
Total Title 1 Grants to Local Educational Agencies			726,077	0	705,010	0
Rural Education - Grants	3Y80 - 2015	84.358	7,452		0	
Rural Education - Grants	3Y80 - 2016	84.358	27,770		28,098	
Total Rural Education - Grants			35,222		28,098	
ARRA - Race to the Top	3FD0 - 2015	84.395	3,977		0	
ARRA - Race to the Top -Mini Grant	3FD0 - 2015	84.395	12,257		0	
Total ARRA Race to the Top			16,234	0	0	0
Title IIA - Improving Teacher Quality	3Y60 - 2015	84.367	0		3,590	
Title IIA - Improving Teacher Quality	3Y60 - 2016	84.367	29,707		45,121	
Total IIA- Improving Teach Quality			29,707		48,711	0
<i>Passed Through Great Oaks Institute of Technology and Career Development:</i>						
Career and Technical Education - Basic Grants to States	N/A	84.048	4,000		2,176	
Total Department of Education			1,291,475	0	1,239,446	0
			\$2,001,273	\$32,835	\$1,949,244	\$32,835

The accompanying notes to this schedule are an integral part of this schedule.

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS 2 CFR
200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the activity of the Washington Court House City School District (the School District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School 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 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 School 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.

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Washington Court House City School District
Fayette County
306 Highland Avenue
Washington Court House, Ohio 43160

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District, Fayette County, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 10, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Washington Court House City School District
Fayette County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

March 10, 2017



Dave Yost • Auditor of State

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

Washington Court House City School District
Fayette County
306 Highland Avenue
Washington Court House, Ohio 43160

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Washington Court House City School District
Fayette County
Independent Auditor's Report on Compliance requirements
Applicable to Each Major Federal Program and On Internal Control Over
Compliance Required by the Uniform Guidance
Page 2

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 10, 2017

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA # 10.555 National School Lunch Program CFDA # 10.553 National School Breakfast Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

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Dave Yost • Auditor of State

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE 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.

A handwritten signature in cursive script that appears to read "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2017