

# **WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2018

With Independent Auditors' Report



**CLARK SCHAEFER HACKETT**  
CPAS & ADVISORS



# OHIO AUDITOR OF STATE KEITH FABER



January 17, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

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# Dave Yost • Auditor of State

Board of Education  
Washington Court House City School District  
306 Highland Avenue  
Washington Court House, OH 43160

We have reviewed the *Independent Auditor's Report* of Washington Court House City School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Washington Court House City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 4, 2019

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Washington Court House City School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District (the School District), as of and for the year ended June 30, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 20 to the financial statements, during the year ended June 30, 2018, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of net pension liability, the schedules of pension contributions, schedules of proportionate share of net OPEB liability and schedules of OPEB contributions, as listed in the tables of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington Court House City School District's basic financial statements. The accompanying schedule of expenditures of federal awards 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 17, 2018

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
Unaudited

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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, 2018. 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 \$11,234,952.
- General revenues accounted for \$21,529,899 of all revenues and reflect the School District's continued dependence on property taxes and unrestricted State entitlements.
- The School District had \$16,441,132 in expenses related to governmental activities; only \$6,146,185 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 \$21,529,899 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*  
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## **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 2018?” 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*  
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**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**  
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Table 1 provides a summary of the School District's net position for fiscal years 2017 and 2018:

Table 1  
 Net Position

	Governmental Activities		Increase/ (Decrease)
	As Restated 2017	2018	
<b>Assets</b>			
Current and Other Assets	\$18,353,580	\$19,605,715	\$1,252,135
Capital Assets, Net	61,559,430	60,266,140	(1,293,290)
Total Assets	<u>79,913,010</u>	<u>79,871,855</u>	<u>(41,155)</u>
<b>Deferred Outflows of Resources</b>	<u>7,436,441</u>	<u>9,693,271</u>	<u>2,256,830</u>
<b>Liabilities</b>			
Other Liabilities	3,112,127	4,126,931	1,014,804
Long-Term Liabilities	58,829,341	47,142,372	(11,686,969)
Total Liabilities	<u>61,941,468</u>	<u>51,269,303</u>	<u>(10,672,165)</u>
<b>Deferred Inflows of Resources</b>	<u>3,673,260</u>	<u>5,326,148</u>	<u>1,652,888</u>
<b>Net Position</b>			
Net Investment in			
Capital Assets	45,209,736	45,009,249	(200,487)
Restricted	4,992,077	4,602,623	(389,454)
Unrestricted (Deficit)	(28,467,090)	(16,642,197)	11,824,893
Total Net Position	<u>\$21,734,723</u>	<u>\$32,969,675</u>	<u>\$11,234,952</u>

The net pension liability is the largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. For fiscal year 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability and the net OPEB liability equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement systems are responsible for the administration of the pension and OPEB plans.

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 or net OPEB liabilities. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 payments, State statute does not assign/identify the responsible part for the unfunded portion. Due to the unique nature of how the net pension and net OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.



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**Management's Discussion and Analysis**  
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In accordance with GASB Statement Nos. 68 and 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a balance of \$28,326,959 to a balance of \$21,734,723.

A minimal decrease 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 decreased as a result of the decrease in the net pension and OPEB liabilities.

Table 2 shows the changes in net position for fiscal years 2017 and 2018.

Table 2  
Change in Net Position

	Governmental Activities	
	2017	2018
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$1,514,438	\$1,626,597
Operating Grants, Contributions and Interest	4,560,419	4,519,588
<b>Total Program Revenues</b>	<b>6,074,857</b>	<b>6,146,185</b>
General Revenues:		
Property Taxes	5,617,595	5,300,032
Revenue in Lieu of Taxes	12,972	12,887
Grants and Entitlements not Restricted to Specific Programs	15,368,679	15,926,100
Contributions and Donations	20,629	33,414
Investment Earnings	31,326	66,044
Gain on Sale of Capital Assets	0	14,922
Miscellaneous	128,038	176,500
<b>Total General Revenues</b>	<b>21,179,239</b>	<b>21,529,899</b>
<b>Total Revenues</b>	<b>\$27,254,096</b>	<b>\$27,676,084</b>

*(continued)*

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**Management's Discussion and Analysis**  
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Table 2  
Change in Net Position  
*(continued)*

	Governmental Activities	
	2017	2018
<b>Program Expenses</b>		
Instruction:		
Regular	\$11,132,874	\$5,963,946
Special	4,414,965	2,219,716
Vocational	4,235	0
Support Services:		
Pupils	1,279,207	1,020,626
Instructional Staff	1,152,098	907,677
Board of Education	22,960	15,280
Administration	2,159,134	756,973
Fiscal	647,069	635,745
Business	0	968
Operation and Maintenance of Plant	1,769,968	1,618,019
Pupil Transportation	763,288	779,076
Central	37,320	42,351
Operation of Non-Instructional Services	1,201,421	1,161,361
Extracurricular Activities	878,447	686,543
Interest and Fiscal Charges	614,056	632,851
Total Expenses	<u>26,077,042</u>	<u>16,441,132</u>
Change in Net Position	1,177,054	11,234,952
Net Position at Beginning of Year	N/A	21,734,723
Net Position at End of Year, As Restated 2017	<u><u>\$21,734,723</u></u>	<u><u>\$32,969,675</u></u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$43,289 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows and outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report negative OPEB expense of \$865,960.

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Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$16,441,132
Negative OPEB expense under GASB 75	865,960
2018 contractually required contributions	61,376
Adjusted 2018 program expenses	17,368,468
Total 2017 program expenses under GASB 45	26,077,042
Decrease in program expenses not related to OPEB	\$8,708,574

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues, accounted for \$6,146,185 of total revenues for the fiscal year. General revenues represent \$21,529,899 of the School District's total revenues and increased \$350,660. The increase is primarily the result of the School District receiving more State funding during fiscal year 2018.

As should be expected, Instruction costs represent the largest of the School District's expenses, \$8,183,662 for fiscal year 2018. 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 \$2,707,379 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$1,618,019. Therefore, \$12,509,060 of the School District's expenses are related to the primary functions of providing facilities and delivering education.

Fiscal year 2018 total expenses, after factoring out OPEB adjustments, decreased approximately \$8.7 million, or 33%, from fiscal year 2017. Approximately \$10.6 million of this decrease is related to change in pension expense, recognizing \$2.7 million in pension expense in fiscal year 2017 compared to \$7.9 million in *negative* pension expense in fiscal year 2018. A majority of this is due to changes in actuarial assumptions, including lowering the discount rate. Also, the retirement plans experienced better than projected investment earnings. The decrease was offset by \$1.9 million in general inflationary increases, including wage and benefit costs.

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**The School District's Funds**

Information about the School District's most significant funds starts on page 16. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$28,340,995 and expenditures of \$26,630,554. The net change in fund balance for the General Fund was \$1,513,696, a decrease from the previous year's net change in fund balance of \$2,447,656 and is a result of continued increases in expenditures of the School District as the revenues of the School District become more flat. While State funding has increased over the past few years, the School District is growing close to not being a "cap funded" district, but rather funded on the formula.

The Bond Retirement Fund balance increased \$8,608, as taxes and intergovernmental revenue were sufficient to meet the debt service requirements.

**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 2018, there were no variances between the original and final budgets.

The General Fund's ending unobligated cash balance was \$425,783 over the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the School District had \$60,266,140 invested in capital assets (net of accumulated depreciation), a decrease of \$1,293,290. This decrease is due to fiscal year depreciation exceeding fiscal year additions as the school facilities continue to age.

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*  
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***Debt***

At June 30, 2018, the School District had \$16,830,925 in bonds, accretion, and bond premium outstanding, \$935,000 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 and OPEB 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 has been fortunate to receive increases 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.

**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](mailto:becky.mullins@wchcs.org).

*Washington Court House City School District  
Statement of Net Position  
June 30, 2018*

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$10,840,183
Cash and Cash Equivalents with Fiscal Agent	1,978,666
Materials and Supplies Inventory	7,277
Inventory Held for Resale	19,830
Accounts Receivable	25,600
Intergovernmental Receivable	659,547
Prepaid Items	36,640
Property Taxes Receivable	6,025,085
Revenue in Lieu of Taxes Receivable	12,887
Capital Assets:	
Land	477,521
Depreciable Capital Assets, Net	59,788,619
<i>Total Assets</i>	79,871,855
<b><u>Deferred Outflows of Resources:</u></b>	
Deferred Charge on Refunding	1,277,215
Pension	8,041,249
Other Postemployment Benefits (OPEB)	374,807
<i>Total Deferred Outflows of Resources</i>	9,693,271
<b><u>Liabilities:</u></b>	
Accounts Payable	225,056
Accrued Wages and Benefits Payable	2,114,878
Intergovernmental Payable	347,573
Accrued Interest Payable	41,754
Matured Compensated Absences Payable	5,776
Claims Payable	327,800
Long-Term Liabilities:	
Due Within One Year	1,064,094
Due in More Than One Year:	
Net Pension Liability	24,629,995
Other Postemployment Benefits (OPEB)	5,398,916
Other Amounts Due in More Than One Year	17,113,461
<i>Total Liabilities</i>	51,269,303
<b><u>Deferred Inflows of Resources:</u></b>	
Property Taxes	3,631,345
Revenue in Lieu of Taxes	12,887
Pension	1,041,125
Other Postemployment Benefits (OPEB)	640,791
<i>Total Deferred Inflows of Resources</i>	5,326,148
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	45,009,249
Restricted for:	
Debt Service	1,831,086
Capital Improvements	1,208,393
Food Service Operations	319,648
School Facilities Maintenance	953,614
District Managed Programs	182,224
Title VI-B Programs	30,120
Title I Programs	20,247
Title II-A Programs	40,406
Other Purposes	16,885
Unrestricted (Deficit)	(16,642,197)
<i>Total Net Position</i>	\$32,969,675

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes
				Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$5,963,946	\$939,797	\$187,876	(\$4,836,273)
Special	2,219,716	82,463	2,994,943	857,690
Vocational	0	0	7,364	7,364
Support Services:				
Pupils	1,020,626	19,215	28,437	(972,974)
Instructional Staff	907,677	0	276,496	(631,181)
Board of Education	15,280	0	0	(15,280)
Administration	756,973	0	72,212	(684,761)
Fiscal	635,745	0	0	(635,745)
Business	968	0	0	(968)
Operation and Maintenance of Plant	1,618,019	22,245	0	(1,595,774)
Pupil Transportation	779,076	0	110,439	(668,637)
Central	42,351	0	7,200	(35,151)
Operation of Non-Instructional Services:				
Food Service Operations	1,151,425	248,157	800,299	(102,969)
Other	9,936	0	0	(9,936)
Extracurricular Activities	686,543	314,720	34,322	(337,501)
Interest and Fiscal Charges	632,851	0	0	(632,851)
<b>Total Governmental Activities</b>	<b>\$16,441,132</b>	<b>\$1,626,597</b>	<b>\$4,519,588</b>	<b>(10,294,947)</b>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	3,820,250
Other Purposes	81,987
Debt Service	1,060,802
Capital Outlay	336,993
Grants and Entitlements not Restricted to	
Specific Programs	15,926,100
Revenue in Lieu of Taxes	12,887
Gain on Sale of Capital Assets	14,922
Contributions and Donations	33,414
Investment Earnings	66,044
Miscellaneous	176,500
<b>Total General Revenues</b>	<b>21,529,899</b>
<b>Change in Net Position</b>	<b>11,234,952</b>
<b>Net Position at Beginning of Year - Restated (Note 20)</b>	<b>21,734,723</b>
<b>Net Position at End of Year</b>	<b>\$32,969,675</b>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2018*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$6,540,526	\$1,767,367	\$2,532,290	\$10,840,183
Cash and Cash Equivalents with Fiscal Agent	1,978,666	0	0	1,978,666
Receivables:				
Property Taxes	4,273,355	1,292,563	459,167	6,025,085
Revenue in Lieu of Taxes	9,287	2,580	1,020	12,887
Accounts	8,246	0	17,354	25,600
Intergovernmental	55,380	0	604,167	659,547
Interfund	359,351	0	0	359,351
Prepaid Items	35,336	0	1,304	36,640
Inventory Held for Resale	0	0	19,830	19,830
Materials and Supplies Inventory	0	0	7,277	7,277
<b>Total Assets</b>	<b>\$13,260,147</b>	<b>\$3,062,510</b>	<b>\$3,642,409</b>	<b>\$19,965,066</b>
<b><u>Liabilities:</u></b>				
Accounts Payable	\$129,734	\$0	\$95,322	\$225,056
Accrued Wages and Benefits Payable	1,803,911	0	310,967	2,114,878
Intergovernmental Payable	295,493	0	52,080	347,573
Interfund Payable	0	0	359,351	359,351
Matured Compensated Absences Payable	5,776	0	0	5,776
Claims Payable	327,800	0	0	327,800
<b>Total Liabilities</b>	<b>2,562,714</b>	<b>0</b>	<b>817,720</b>	<b>3,380,434</b>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Taxes	2,545,667	815,043	270,635	3,631,345
Revenue in Lieu of Taxes	9,287	2,580	1,020	12,887
Unavailable Revenues	107,340	28,984	419,462	555,786
<b>Total Deferred Inflows of Resources</b>	<b>2,662,294</b>	<b>846,607</b>	<b>691,117</b>	<b>4,200,018</b>
<b><u>Fund Balances:</u></b>				
Nonspendable	0	0	7,277	7,277
Restricted	0	2,215,903	2,669,232	4,885,135
Assigned	630,924	0	0	630,924
Unassigned (Deficit)	7,404,215	0	(542,937)	6,861,278
<b>Total Fund Balances</b>	<b>8,035,139</b>	<b>2,215,903</b>	<b>2,133,572</b>	<b>12,384,614</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$13,260,147</b>	<b>\$3,062,510</b>	<b>\$3,642,409</b>	<b>\$19,965,066</b>

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, 2018*

**Total Governmental Fund Balances** \$12,384,614

**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	80,714,030	
Accumulated depreciation	(20,925,411)	
Total capital assets	60,266,140	60,266,140

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	144,166	
Intergovernmental	408,010	
Miscellaneous	3,610	
	555,786	555,786

Deferred outflows of resources include deferred charges on refundings which do not consume current financial resources and, therefore, are not reported in the funds. 1,277,215

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

Deferred Outflows - Pension	8,041,249	
Deferred Outflows - Other Postemployment Benefits	374,807	
Deferred Inflows - Pension	(1,041,125)	
Deferred Inflows - Other Postemployment Benefits	(640,791)	
Net Pension Liability	(24,629,995)	
Other Postemployment Benefits	(5,398,916)	
	(23,294,771)	(23,294,771)

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (41,754)

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	(15,377,041)	
Bond premium	(1,453,884)	
Capital leases	(75,228)	
Compensated absences	(1,271,402)	
Total liabilities	(18,177,555)	(18,177,555)

**Net Position of Governmental Activities** \$32,969,675

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, 2018**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$4,021,753	\$1,115,456	\$440,614	\$5,577,823
Intergovernmental	17,639,839	284,428	2,890,246	20,814,513
Investment Earnings	66,044	0	1,953	67,997
Tuition and Fees	1,022,260	0	0	1,022,260
Rent	1,750	0	20,495	22,245
Extracurricular Activities	19,215	0	302,907	322,122
Contributions and Donations	28,854	0	38,882	67,736
Customer Sales and Services	0	0	260,522	260,522
Revenue in Lieu of Taxes	9,287	2,580	1,020	12,887
Miscellaneous	164,465	0	8,425	172,890
<b>Total Revenues</b>	<b>22,973,467</b>	<b>1,402,464</b>	<b>3,965,064</b>	<b>28,340,995</b>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	10,521,578	0	337,113	10,858,691
Special	2,981,153	0	1,147,194	4,128,347
Support Services:				
Pupils	1,277,667	0	20,384	1,298,051
Instructional Staff	699,044	0	405,600	1,104,644
Board of Education	12,978	0	0	12,978
Administration	1,955,159	0	79,218	2,034,377
Fiscal	608,071	31,618	12,492	652,181
Business	0	0	968	968
Operation and Maintenance of Plant	1,542,652	0	123,691	1,666,343
Pupil Transportation	1,099,862	0	18,117	1,117,979
Central	45,203	0	7,316	52,519
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,099,085	1,099,085
Other	9,936	0	0	9,936
Extracurricular Activities	426,203	0	391,591	817,794
Capital Outlay	45,000	0	134,158	179,158
Debt Service:				
Principal Retirement	208,830	870,000	0	1,078,830
Interest and Fiscal Charges	26,435	492,238	0	518,673
<b>Total Expenditures</b>	<b>21,459,771</b>	<b>1,393,856</b>	<b>3,776,927</b>	<b>26,630,554</b>
Excess of Revenues Over Expenditures	1,513,696	8,608	188,137	1,710,441
<b><u>Other Financing Sources:</u></b>				
Proceeds from Sale of Capital Assets	0	0	17,355	17,355
<b>Net Change in Fund Balances</b>	<b>1,513,696</b>	<b>8,608</b>	<b>205,492</b>	<b>1,727,796</b>
<b>Fund Balances at Beginning of Year</b>	<b>6,521,443</b>	<b>2,207,295</b>	<b>1,928,080</b>	<b>10,656,818</b>
<b>Fund Balances at End of Year</b>	<b>\$8,035,139</b>	<b>\$2,215,903</b>	<b>\$2,133,572</b>	<b>\$12,384,614</b>

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, 2018*

**Net Change in Fund Balances - Total Governmental Funds** \$1,727,796

**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	651,425	
Depreciation expense	(1,942,282)	
Excess of depreciation expense over capital outlay		(1,290,857)

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.

Proceeds from sale of capital assets	(17,355)	
Gain on sale of capital assets	14,922	
		(2,433)

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	(277,791)	
Intergovernmental	(405,100)	
Extracurricular Activities	(352)	
Customer Sales and Service	(200)	
Miscellaneous	3,610	
		(679,833)

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:

Decrease in accrued interest	1,208	
Amortization of deferred charge on refunding	(79,826)	
Accretion on bonds	(129,359)	
Amortization of bond premium	93,799	
		(114,178)

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

Pension	1,825,296	
Other Postemployment Benefits	61,376	
		1,886,672

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as negative pension and OPEB expense in the Statement of Activities:

Pension	7,850,318	
Other Postemployment Benefits	865,960	
		8,716,278

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	915,000	
Capital lease payments	163,830	
Total long-term debt repayment		1,078,830

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		(87,323)
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**Change in Net Position of Governmental Activities** \$11,234,952

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, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$4,090,325	\$4,090,325	\$4,125,194	\$34,869
Intergovernmental	17,724,617	17,724,617	17,639,439	(85,178)
Investment Earnings	18,393	18,393	65,596	47,203
Tuition and Fees	905,546	905,546	1,022,310	116,764
Rent	0	0	1,750	1,750
Contributions and Donations	0	0	2,703	2,703
Extracurricular Activities	0	0	3,938	3,938
Revenue in Lieu of Taxes	9,400	9,400	9,287	(113)
Miscellaneous	26,675	26,675	46,508	19,833
<i>Total Revenues</i>	22,774,956	22,774,956	22,916,725	141,769
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	11,151,189	11,151,189	10,848,297	302,892
Special	3,003,365	3,003,365	3,135,830	(132,465)
Vocational	5,000	5,000	0	5,000
Support Services:				
Pupils	1,251,279	1,251,279	1,374,046	(122,767)
Instructional Staff	782,052	782,052	705,757	76,295
Board of Education	19,368	19,368	13,064	6,304
Administration	2,108,872	2,108,872	2,089,456	19,416
Fiscal	662,404	662,404	681,938	(19,534)
Operation and Maintenance of Plant	1,965,447	1,965,447	1,770,945	194,502
Pupil Transportation	1,178,611	1,178,611	1,173,100	5,511
Central	27,245	27,245	38,273	(11,028)
Operation of Non-Instructional Services:				
Food Service Operations	195	195	195	0
Other	3,000	3,000	4,072	(1,072)
Extracurricular Activities	379,492	379,492	429,575	(50,083)
Capital Outlay	40,126	40,126	45,000	(4,874)
Debt Service:				
Principal Retirement	45,000	45,000	45,000	0
Interest and Fiscal Charges	14,876	14,876	15,876	(1,000)
<i>Total Expenditures</i>	22,637,521	22,637,521	22,370,424	267,097
Excess of Revenues Over Expenditures	137,435	137,435	546,301	408,866
<b><u>Other Financing Sources:</u></b>				
Refund of Prior Year Expenditures	40,000	40,000	56,917	16,917
<i>Net Change in Fund Balance</i>	177,435	177,435	603,218	425,783
<i>Fund Balance at Beginning of Year</i>	4,986,630	4,986,630	4,986,630	0
<i>Prior Year Encumbrances Appropriated</i>	483,798	483,798	483,798	0
<i>Fund Balance at End of Year</i>	\$5,647,863	\$5,647,863	\$6,073,646	\$425,783

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	Private Purpose Trust Funds	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$755,602	\$32,529
<b><u>Liabilities:</u></b>		
Undistributed Monies	0	\$32,529
<b><u>Net Position:</u></b>		
Held in Trust for Scholarships	\$755,602	

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, 2018**

	Private Purpose Trust
<b><u>Additions:</u></b>	
Contributions and Donations	\$38,141
Investment Earnings	10,203
Miscellaneous	370
<i>Total Additions</i>	48,714
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	46,409
<i>Increase in Net Position</i>	2,305
<i>Net Position at Beginning of Year</i>	753,297
<i>Net Position at End of Year</i>	\$755,602

See accompanying notes to the basic financial statements

**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 107 non-certificated employees, and 166 certificated employees who provide services to 2,176 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, 2018*

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**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, 2018*

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**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, 2018*

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**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, 2018*

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**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, 2018*

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**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 and other postemployment benefits (OPEB). 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 and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized 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, pension, and OPEB. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position (See Notes 10 and 11).

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**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/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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 2018, 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 has adopted GASB Statement No. 79, "Certain External Investment Pools and Pool Participants." 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, 2018. The net asset value per share is calculated on an amortized cost basis that provides a net asset value per share that approximates fair value.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$66,044, which includes \$26,844 assigned from other School District funds.

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.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/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 acquisition 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.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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

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:

<u>Description</u>	<u>Estimated Lives</u>
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.

**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.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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

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. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

**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:

*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.



*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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

*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.

**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.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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

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.

**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.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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

**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. Under Ohio law, premiums on the original issuance of debt are to be deposited to the Bond Retirement Fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. 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.

**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 Retirement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Materials and Supplies Inventory	\$0	\$0	\$7,277	\$7,277
<b><i>Restricted for</i></b>				
Debt Payment	0	2,215,903	0	2,215,903
Food Service Operations	0	0	331,212	331,212
School Facilities Maintenance	0	0	951,363	951,363
District Managed Activities	0	0	182,224	182,224
Miscellaneous Grants	0	0	5,241	5,241
Capital Improvements	0	0	1,199,192	1,199,192
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,215,903</b>	<b>2,669,232</b>	<b>4,885,135</b>
<b><i>Assigned to</i></b>				
Other Purposes	630,924	0	0	630,924
<b><i>Unassigned (Deficit)</i></b>	<b>7,404,215</b>	<b>0</b>	<b>(542,937)</b>	<b>6,861,278</b>
<b><i>Total Fund Balances</i></b>	<b>\$8,035,139</b>	<b>\$2,215,903</b>	<b>\$2,133,572</b>	<b>\$12,384,614</b>

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 3 – ACCOUNTABILITY**

At June 30, 2018, the Public School Preschool, Miscellaneous State Grants, Special Education-IDEA, Title I, Early Childhood Special Education, and Title II-A Special Revenue Funds and the New Building Locally Funded Capital Projects Fund had deficit fund balances of \$39,537, \$1,872, \$78,336, \$173,143, \$8,979, \$3,726, 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.

**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	\$1,513,696
Adjustments:	
Revenue Accruals	92,368
Expenditure Accruals	(299,326)
Encumbrances	(658,497)
Perspective Difference	(45,023)
Budget Basis	<u><u>\$603,218</u></u>

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**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, 2018*

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**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, 2018, the School District had the following investments. All investments are in an external investment pool.

		<u>Investment Maturities in Years</u>	
	<u>Fair Value</u>	<u>Less than 1</u>	<u>S&amp;P Rating</u>
STAROhio	<u>\$2,777,877</u>	<u>\$2,777,877</u>	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, 2018, the School District had a balance of \$1,978,666 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, 2018*

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**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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected in calendar year 2018 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, 2018, are available to finance fiscal year 2018 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, 2018, 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, 2018, were \$2,249,574 and are recognized as revenue: \$1,623,958 in the General Fund, \$448,536 in the Bond Retirement Debt Service Fund, and \$177,080 in the Other Governmental Funds. The amounts available as an advance at June 30, 2017, were \$2,384,125 and are recognized as revenue: \$1,727,399 in the General Fund, \$470,548 in the Bond Retirement Debt Service Fund, and \$186,178 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, 2018*

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**NOTE 6 – PROPERTY TAXES** *(continued)*

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$195,458,980	97.04%	\$198,422,170	96.94%
Public Utility Personal	5,965,120	2.96%	6,270,090	3.06%
Total Assessed Value	<u>\$201,424,100</u>	<u>100.00%</u>	<u>\$204,692,260</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$45.15	\$45.15
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**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, 2018, 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*  
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**NOTE 7 – RECEIVABLES** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
General Fund:	
Ohio BWC Receivable	\$55,368
IRS Receivable	12
Other Governmental Funds:	
Athletic Fees	2,650
Title I	241,327
Special Education, Part B-IDEA	152,305
Food Service Reimbursement	71,503
Title II-A, Improving Teacher Quality	60,657
Early Childhood Education	48,362
Title VI-A	14,836
Early Childhood Education, IDEA	10,655
Strategies for Students with Disabilities	1,872
Total Intergovernmental Receivables	\$659,547

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance at</u> <u>6/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/18</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$477,521	\$0	\$0	\$477,521
Capital Assets Being Depreciated:				
Land Improvements	5,701,423	44,950	0	5,746,373
Buildings and Improvements	70,443,401	111,889	0	70,555,290
Furniture, Fixtures, and Equipment	2,842,636	25,014	(6,000)	2,861,650
Vehicles	1,233,103	469,572	(151,958)	1,550,717
Total Capital Assets Being Depreciated	<u>80,220,563</u>	<u>651,425</u>	<u>(157,958)</u>	<u>80,714,030</u>
Less Accumulated Depreciation:				
Land Improvements	(4,008,831)	(100,110)	0	(4,108,941)
Buildings and Improvements	(12,781,980)	(1,436,127)	0	(14,218,107)
Furniture, Fixtures, and Equipment	(1,734,936)	(288,799)	3,567	(2,020,168)
Vehicles	(612,907)	(117,246)	151,958	(578,195)
Total Accumulated Depreciation	<u>(19,138,654)</u>	<u>(1,942,282) *</u>	<u>155,525</u>	<u>(20,925,411)</u>
Total Capital Assets Being Depreciated, Net	<u>61,081,909</u>	<u>(1,290,857)</u>	<u>(2,433)</u>	<u>59,788,619</u>
Governmental Activities Capital Assets, Net	<u>\$61,559,430</u>	<u>(\$1,290,857)</u>	<u>(\$2,433)</u>	<u>\$60,266,140</u>

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
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**NOTE 8 – CAPITAL ASSETS** *(continued)*

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$842,955
Special	268,640
Support Services:	
Pupils	49,342
Instructional Staff	77,688
Board of Education	4,556
Administration	142,544
Fiscal	21,930
Operation and Maintenance of Plant	109,580
Pupil Transportation	160,523
Central	500
Operation of Non-Instructional Services:	
Food Service Operations	116,366
Extracurricular Activities	147,658
Total Depreciation Expense	\$1,942,282

**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*  
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**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 \$1,420 for certified and classified employees for family coverage and up to \$518 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, 2018, reported in the General Fund of \$327,800 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:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Fiscal Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
2017	\$714,900	\$2,937,915	\$3,228,215	\$424,600
2018	424,600	2,830,183	2,926,983	327,800

**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*  
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**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 contractually-required pension contributions 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 participate in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

*Washington Court House City School District  
Notes to the Basic Financial Statements  
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**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 after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or 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, 2018, the allocation to pension and death benefits, ad Medicare B was 13.5 percent. The remaining 0.5 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contributions to SERS was \$412,478 for fiscal year 2018. Of this amount, \$34,409 is reported as an intergovernmental payable.

**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 administered by STRS Ohio. 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](http://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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

*Washington Court House City School District  
Notes to the Basic Financial Statements  
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**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 to 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, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contributions to STRS Ohio was \$1,412,818 for fiscal year 2018. Of this amount, \$236,113 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, 2017, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,635,809	\$19,994,186	\$24,629,995
Proportion of the Net Pension Liability	0.077590%	0.084168%	
Change in Proportion	-0.001537%	0.002702%	
(Negative) Pension Expense	(\$240,272)	(\$7,610,046)	(\$7,850,318)



*Washington Court House City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

**NOTE 10 – DEFINED BENEFIT PENSION PLANS** *(continued)*

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$199,509	\$772,082	\$971,591
Changes of assumptions	239,721	4,372,948	4,612,669
Changes in School District's proportionate share and difference in employer contributions	0	631,693	631,693
School District's contributions subsequent to the measurement date	<u>412,478</u>	<u>1,412,818</u>	<u>1,825,296</u>
Total Deferred Outflows of Resources	<u>\$851,708</u>	<u>\$7,189,541</u>	<u>\$8,041,249</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$161,144	\$161,144
Net difference between projected and actual earnings on pension plan investments	22,005	659,832	681,837
Changes in School District's proportionate share and difference in employer contributions	<u>119,672</u>	<u>78,472</u>	<u>198,144</u>
Total Deferred Inflows of Resources	<u>\$141,677</u>	<u>\$899,448</u>	<u>\$1,041,125</u>

\$1,825,296 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 fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$111,297	\$1,020,185	\$1,131,482
2020	229,546	1,917,785	2,147,331
2021	64,780	1,436,950	1,501,730
2022	<u>(108,070)</u>	<u>502,355</u>	<u>394,285</u>
Total	<u>\$297,553</u>	<u>\$4,877,275</u>	<u>\$5,174,828</u>

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
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**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, 2017, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rate were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 100 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010, to June 30, 2015, adopted by the Board on April 21, 2016.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
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**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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate – The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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*  
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**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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$6,433,295	\$4,635,809	\$3,130,045

**Actuarial Assumptions – STRS**

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and Prior
Inflation	2.50 percent	2.75 percent
Salary Increases	12.50 percent to age 20 to 2.50 percent at age 65	12.25 percent to age 20 to 2.75 percent at age 70
Investment Rate of Return, including Inflation	7.45 percent, net of investment expenses	7.75 percent, net of investment expenses
Payroll Increases	3.00 percent	3.50 percent per annum compounded annually for the next two years, 4.00 percent thereafter
Cost-of-Living Adjustments	0 percent effective July 1, 2017	2 percent simple for members retiring before August 1, 2013; 2 percent per year for members retiring August 1, 2013, or later; 2 percent COLA commences on 5th anniversary of retirement date
Mortality Tables	RP-2014	RP-2000

*Washington Court House City School District  
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**NOTE 10 – DEFINED BENEFIT PENSION PLANS** *(continued)*

Post-retirement mortality rates for healthy retirees are based on the RP-014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally, using mortality improvement scale MP-2016.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011, through June 30, 2016.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent, and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

*Washington Court House City School District*  
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**NOTE 10 – DEFINED BENEFIT PENSION PLANS** *(continued)*

Discount Rate – The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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 excluded. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$28,660,986	\$19,994,186	\$12,693,707

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS**

**Net OPEB Liability**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

*Washington Court House City School District*  
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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trend rates and others. While these estimates use the best information available, unknowable future events require adjusting these estimates 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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

**Plan Description – 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. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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](http://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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$46,098.



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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

The surcharge, added to the 0.5 percent allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$61,376 for fiscal year 2018. Of this amount, \$47,372 is reported as an intergovernmental payable.

**Plan Description – State Teachers Retirement System of Ohio**

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial 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](http://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 discretionary 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. 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS Ohio did not allocate any employer contributions to postemployment health care.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability was based on the School District’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,115,008	\$3,283,908	\$5,398,916
Proportion of the Net OPEB Liability	0.078808%	0.084168%	
Change in Proportion	-0.001137%	0.002702%	
OPEB Expense/(Negative Expense)	\$115,474	(\$981,434)	(\$865,960)

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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$189,570	\$189,570
Changes in School District's proportionate share and difference in employer contributions	0	123,861	123,861
School District's contributions subsequent to the measurement date	<u>61,376</u>	<u>0</u>	<u>61,376</u>
Total Deferred Outflows of Resources	<u><u>\$61,376</u></u>	<u><u>\$313,431</u></u>	<u><u>\$374,807</u></u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on OPEB plan investments	\$5,584	\$140,360	\$145,944
Changes of assumptions	200,704	264,528	465,232
Changes in School District's proportionate share and difference in employer contributions	<u>29,615</u>	<u>0</u>	<u>29,615</u>
Total Deferred Inflows of Resources	<u><u>\$235,903</u></u>	<u><u>\$404,888</u></u>	<u><u>\$640,791</u></u>

\$61,376 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$84,845)	(\$26,940)	(\$111,785)
2020	(84,845)	(26,940)	(111,785)
2021	(64,817)	(26,940)	(91,757)
2022	(1,396)	(26,940)	(28,336)
2023	0	8,150	8,150
2024	<u>0</u>	<u>8,153</u>	<u>8,153</u>
Total	<u><u>(\$235,903)</u></u>	<u><u>(\$91,457)</u></u>	<u><u>(\$327,360)</u></u>

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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

**Actuarial Assumptions – SERS**

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 consider the employee’s entire career with the employer and 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 OPEB liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Investment Rate of Return	7.50 percent net of investment expense, including inflation
Wage Inflation	3.00 percent
Future Salary Increases, Including Inflation	3.50 percent to 18.20 percent
Municipal Bond Index Rate:	
Prior Measurement Date	2.92 percent
Measurement Date	3.56 percent
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:	
Prior Measurement Date	2.98 percent
Measurement Date	3.63 percent
Medical Trend Assumption:	
Pre-Medicare	7.50 percent - 5.00 percent
Medicare	5.50 percent - 5.00 percent

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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. PR-2000 Disabled Mortality Table with 90 percent for male rate and 100 percent for female rates set back five years.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015, five-year experience study, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent as of June 30, 2017 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.63 percent, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) and one percentage point higher (4.63 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$2,554,142	\$2,115,008	\$1,767,102

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District’s net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4.0 percent) and one percentage point higher (8.5 percent decreasing to 6.0 percent) than the current rates.

	1% Decrease (6.5% Decrease to 4.0%)	Current Trend Rate (7.5% Decrease to 5.0%)	1% Increase (8.5% Decrease to 6.0%)
School District's proportionate share of the net OPEB liability	\$1,716,171	\$2,115,008	\$2,642,876

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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll Increases	3.00 percent
Blended Discount Rate of Return	4.13 percent
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Health Care Cost Trends	6 percent - 11 percent initially, 4.50 percent ultimate
Cost-of-Living Adjustments	0 percent, effective July 1, 2017

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)” and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 100.00 %	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent, and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS** *(continued)*

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District’s proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13 percent, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) and one percentage point higher (5.13 percent) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	<u>1% Decrease</u> <u>(3.13%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.13%)</u>	<u>1% Increase</u> <u>(5.13%)</u>
School District's proportionate share of the net OPEB liability	\$4,408,594	\$3,283,908	\$2,395,039

  

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$2,281,519	\$3,283,908	\$4,603,170

**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.



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**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. Capital leases for laptop computers were retired during fiscal year 2018. Principal payments in fiscal year 2018 totaled \$163,830 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2018, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
Equipment	<u>\$208,549</u>	<u>(\$145,985)</u>	<u>\$62,564</u>

**Washington Court House City School District**  
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**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, 2018.

Fiscal Year Ending June 30,	Total Payments
2019	\$50,743
2020	29,600
Total	80,343
Less: Amount Representing Interest	(5,115)
Present Value of Net Minimum Lease Payments	\$75,228

**NOTE 14 – LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Restated Amount Outstanding 6/30/17	Additions	Deductions	Amount Outstanding 6/30/18	Amounts Due in One Year
<u>Governmental Activities:</u>					
<u>General Obligation Bonds:</u>					
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%	12,470,000	0	870,000	11,600,000	890,000
Capital Appreciation Bonds 2.55 to 3.30%	189,994	0	0	189,994	0
Accretion on Capital Appreciation Bonds	242,688	129,359	0	372,047	0
Premium on Debt Issue	1,547,683	0	93,799	1,453,884	0
2015 School Energy Conservation					
Improvement Serial Bonds 2.51%	655,000	0	45,000	610,000	45,000
<u>Net Pension Liability:</u>					
STRS	27,268,975	0	7,274,789	19,994,186	0
SERS	5,791,339	0	1,155,530	4,635,809	0
<u>Other Postemployment Benefit Liability:</u>					
STRS	4,356,799	0	1,072,891	3,283,908	0
SERS	2,278,726	0	163,718	2,115,008	0
Compensated Absences	1,184,079	137,845	50,522	1,271,402	82,692
Capital Leases	239,058	0	163,830	75,228	46,402
Total Governmental Activities					
Long-Term Obligations	\$58,829,341	\$267,204	\$10,890,079	\$48,206,466	\$1,064,094

*Washington Court House City School District  
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**NOTE 14 – LONG-TERM OBLIGATIONS** *(continued)*

**2013-2014 Various Purpose School Improvement Refunding 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. Capital appreciation bonds, issued at \$1,020,000, were not subject to prior redemption, but have matured.

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, 2018, 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>\$2,470,000</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.

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.

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*For the Fiscal Year Ended June 30, 2018*

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

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 2018, the capital appreciation bonds were accreted \$129,359.

**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 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, net pension, and OPEB liabilities will be paid from the General Fund and the Food Service Fund. Capital lease obligations will be paid from the General Fund.

The School District’s overall legal debt margin was \$5,328,212 with an energy conservation debt margin of \$1,232,230 and an unvoted debt margin of \$119,692 at June 30, 2018.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2018, are as follows:

Various Purpose School Improvement Refunding Bonds							
Fiscal Year Ending June 30,	Term	Term	Serial	Serial	Capital	Capital	Total
	Bonds	Bonds	Bonds	Bonds	Appreciation	Appreciation	
	Principal	Interest	Principal	Interest	Bonds Principal	Bonds Interest	
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	0	0	915,000	448,000	0	0	1,363,000
2022	0	0	145,000	437,037	122,434	667,566	1,372,037
2023	0	0	900,000	412,725	4,243	30,757	1,347,725
2024-2028	1,290,000	829,750	3,210,000	811,626	63,317	1,006,683	7,211,376
2029-2033	1,315,000	399,338	3,970,000	322,800	0	0	6,007,138
2034	0	0	670,000	13,400	0	0	683,400
<b>Total</b>	<b>\$2,605,000</b>	<b>\$1,229,088</b>	<b>\$11,600,000</b>	<b>\$3,388,201</b>	<b>\$189,994</b>	<b>\$1,705,006</b>	<b>\$20,717,289</b>

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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

School Energy Conservation Improvement Bonds			
Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Total
2019	\$45,000	\$14,746	\$59,746
2020	45,000	13,617	58,617
2021	45,000	12,487	57,487
2022	50,000	11,295	61,295
2023	50,000	10,040	60,040
2024-2028	260,000	31,123	291,123
2029-2030	115,000	2,949	117,949
Total	\$610,000	\$96,257	\$706,257

**NOTE 15 – INTERFUND ACTIVITY**

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

		<b>Receivable</b>
		General
<b>Payable</b>	Other Governmental Funds	\$359,348

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.

**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 29 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 \$482,957 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 over 200 school districts. 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 \$0 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.

**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 Bloom Carroll Local School District serves as the fiscal agent for the SCOIC.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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

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, Bloom Carroll Local School District, 5240 Plum Road NW, Carroll, Ohio 43112.

*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.

*Washington Court House City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**NOTE 17 – SET-ASIDE CALCULATIONS** *(continued)*

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.

	Capital Acquisitions
Set-aside Balance as of June 30, 2017	\$0
Current Fiscal Year Set-aside Requirement	394,861
Current Fiscal Year Offsets	(239,674)
Qualifying Disbursements	(155,187)
Set-aside Balance as of June 30, 2018	\$0
Required Set-aside Balances Carried Forward to Fiscal Year 2019	\$0

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.

**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, 2018, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.



*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 18 – CONTINGENCIES** *(continued)*

**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	\$658,497
Bond Retirement	460
Other Governmental Funds	426,621

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2018, the School District implemented GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.” GASB Statement No. 75 establishes standards for measuring and recognizing other postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

	<u>Amount</u>
Net Position, June 30, 2017	\$28,326,959
Adjustments:	
Other Postemployment Benefit Liability	(6,635,525)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>43,289</u>
Net Position, June 30, 2017, Restated	<u><u>\$21,734,723</u></u>

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

# **Required Supplementary Information**

**Washington Court House City School District**  
*Required Supplementary Information*  
*Schedule of School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Fiscal Years (1) (2)*

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.084168%	0.081466%	0.081259%	0.082065%	0.082065%
School District's Proportionate Share of the Net Pension Liability	\$ 19,994,186	\$ 27,268,975	\$ 22,457,553	\$ 19,961,133	\$ 23,777,571
School District's Covered Payroll	\$ 9,056,914	\$ 8,737,871	\$ 8,858,336	\$ 9,029,800	\$ 8,658,723
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	220.76%	312.08%	253.52%	221.06%	274.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.78%	72.09%	74.70%	69.30%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumptions.* In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

*Change in benefit terms.* Effective July 1, 2017, the COLA was reduced to zero.

**Washington Court House City School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions - Pension*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 1,412,818	\$ 1,267,968	\$ 1,223,302	\$ 1,240,167	\$ 1,173,874
Contributions in Relation to the Contractually Required Contributions	<u>\$ (1,412,818)</u>	<u>\$ (1,267,968)</u>	<u>\$ (1,223,302)</u>	<u>\$ (1,240,167)</u>	<u>\$ (1,173,874)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 10,091,557	\$ 9,056,914	\$ 8,737,871	\$ 8,858,336	\$ 9,029,800
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually Required Contributions	\$ 1,125,634	\$ 1,156,985	\$ 1,290,114	\$ 1,215,706	\$ 1,182,302
Contributions in Relation to the Contractually Required Contributions	<u>\$ (1,125,634)</u>	<u>\$ (1,156,985)</u>	<u>\$ (1,290,114)</u>	<u>\$ (1,215,706)</u>	<u>\$ (1,182,302)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 8,658,723	\$ 8,899,885	\$ 9,923,954	\$ 9,351,585	\$ 9,094,631
Contributions as a Percentage of Covered Payroll	13.00%	13.00%	13.00%	13.00%	13.00%

**Washington Court House City School District**  
*Required Supplementary Information*  
*Schedule of School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Fiscal Years (1) (2)*

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.077590%	0.079127%	0.080770%	0.081398%	0.081398%
School District's Proportionate Share of the Net Pension Liability	\$ 4,635,809	\$ 5,791,339	\$ 4,608,695	\$ 4,119,506	\$ 4,840,478
School District's Covered Payroll	\$ 3,099,764	\$ 3,237,079	\$ 3,278,961	\$ 2,389,156	\$ 2,102,153
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	149.55%	178.91%	140.55%	172.43%	230.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumptions.* In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

**Washington Court House City School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions - Pension*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 412,478	\$ 433,967	\$ 453,191	\$ 432,167	\$ 331,137
Contributions in Relation to the Contractually Required Contributions	<u>\$ (412,478)</u>	<u>\$ (433,967)</u>	<u>\$ (453,191)</u>	<u>\$ (432,167)</u>	<u>\$ (331,137)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,055,393	\$ 3,099,764	\$ 3,237,079	\$ 3,278,961	\$ 2,389,156
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually Required Contributions	\$ 290,938	\$ 301,268	\$ 294,000	\$ 370,356	\$ 224,118
Contributions in Relation to the Contractually Required Contributions	<u>\$ (290,938)</u>	<u>\$ (301,268)</u>	<u>\$ (294,000)</u>	<u>\$ (370,356)</u>	<u>\$ (224,118)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 2,102,153	\$ 2,239,911	\$ 2,338,902	\$ 2,735,273	\$ 2,277,622
Contributions as a Percentage of Covered Payroll	13.84%	13.45%	12.57%	13.54%	9.84%

**Washington Court House City School District**  
*Required Supplementary Information*  
*Schedule of School District's Proportionate Share of the Net OPEB Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1) (2)*

	2018	2017
School District's Proportion of the Net OPEB Liability	0.084168%	0.081466%
School District's Proportionate Share of the Net OPEB Liability	\$ 3,283,908	\$ 4,356,799
School District's Covered Payroll	\$ 9,056,914	\$ 8,737,871
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	36.26%	49.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumption.* For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.



**Washington Court House City School District**  
*Required Supplementary Information*  
**Schedule of School District Contributions - OPEB**  
*State Teachers Retirement System of Ohio*  
**Last Three Fiscal Years (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contributions (2)	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 10,091,557	\$ 9,056,914	\$ 8,737,871
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) The Retirement System has not allocated a portion of the employer contributions towards health care during the three fiscal years.

**Washington Court House City School District**  
*Required Supplementary Information*  
*Schedule of School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1) (2)*

	2018	2017
School District's Proportion of the Net OPEB Liability	0.078808%	0.079945%
School District's Proportionate Share of the Net OPEB Liability	\$ 2,115,008	\$ 2,278,726
School District's Covered Payroll	\$ 3,099,764	\$ 3,237,079
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	68.23%	70.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumption.* Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

**Washington Court House City School District**  
*Required Supplementary Information*  
**Schedule of School District Contributions - OPEB**  
*School Employees Retirement System of Ohio*  
**Last Three Fiscal Years (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contributions (2)	\$ 61,376	\$ 43,289	\$ 39,417
Contributions in Relation to the Contractually Required Contributions	<u>\$ (61,376)</u>	<u>\$ (43,289)</u>	<u>\$ (39,417)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,055,393	\$ 3,099,764	\$ 3,237,079
Contributions as a Percentage of Covered Payroll (2)	2.01%	1.40%	1.22%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

Washington Court House City School District  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2018

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	182OH062N1099	10.555	\$ 61,171	61,171
<i>Cash Assistance:</i>				
School Breakfast Program	182OH062N1099	10.553	172,630	172,630
National School Lunch Program	182OH062N1099	10.555	479,880	479,880
<i>Cash Assistance Subtotal</i>			<u>652,510</u>	<u>652,510</u>
Nutrition Cluster Total			<u>713,681</u>	<u>713,681</u>
Total U.S. Department of Agriculture			<u>713,681</u>	<u>713,681</u>
<b>U.S. Department of Education:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies (2017)	S010A150035	84.010	133,451	105,642
Title I Grants to Local Educational Agencies (2018)	S010A180035	84.010	608,547	656,484
			<u>741,998</u>	<u>762,126</u>
Special Education Cluster:				
Special Education - Grants to States (2017)	H027A150111	84.027	129,278	95,964
Special Education - Grants to States (2018)	H027A180111	84.027	415,451	459,301
Special Education - Preschool Grants (2018)	H173A180119	84.173	1,299	2,621
			<u>546,028</u>	<u>557,886</u>
Rural Education	S358B180035	84.358	113,630	113,630
English Language Acquisition State Grants	S365A180035	84.365	4,051	3,710
Supporting Effective Instruction State Grants (2017)	S367A150034	84.367	114,388	111,867
Supporting Effective Instruction State Grants (2018)	S367A180034	84.367	148,367	164,892
			<u>262,755</u>	<u>276,759</u>
Student Support and Academic Enrichment Program	SA24A180036	84.424	755	4,590
<i>(Passed through Great Oaks Institute of Technology and Career Development)</i>				
Career and Technical Education - Basic Grants to States	n/a	84.048	800	3,136
Total U.S. Department of Education			<u>1,670,017</u>	<u>1,721,837</u>
Total Federal Awards			\$ <u>2,383,698</u>	<u>2,435,518</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Washington Court House City School District (the "School District") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented 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, changes in net position, or cash flows of the School District.

**NOTE B - 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS****INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Washington Court House City School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District ("School District") as of and for the year ended June 30, 2018, 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 December 17, 2018, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 17, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE****INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Washington Court House City School District:

**Report on Compliance for Each Major Federal Program**

We have audited Washington Court House City School District's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. 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 School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 17, 2018



Washington Court House City School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none
Identification of major programs:	
<i>CFDA 84.010 – Title I Grants to Local Education Agencies</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	yes

**Section II - Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**Section IV – Schedule of Prior Year Findings**

None

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2019**