



Dave Yost • Auditor of State

**CHILLICOTHE SCHOOL DISTRICT
ROSS COUNTY**

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CHILLICOTHE SCHOOL DISTRICT
ROSS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Chillicothe City School District
Ross County
425 Yoctangee Parkway
Chillicothe, Ohio 45601

To the Board of Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chillicothe City School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chillicothe City School District, Ross County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 12, 2018

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Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Chillicothe City School District's (School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$4,347,855.
- The School District's net position of governmental activities increased \$482,158.
- General revenues accounted for \$33,447,104 or 78 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,539,550 or 22 percent of total revenues of \$42,986,654.
- The School District had \$42,504,496 in expenses related to governmental activities; only \$9,539,550 of these expenses were offset by program specific charges for services and sales, operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$33,447,104 were adequate to provide for these programs.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Chillicothe City School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The statement of net position and statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's 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 the amount of funds available 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. In the case of the School District, the General Fund, Debt Service Fund, and Disability Access Project Fund are the major funds.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

The analysis of the School District as a whole begins on page 7. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

These two statements report the School District's net position and change in net position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the School District's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

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 programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and debt service.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 10. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The Chillicothe City School District's major funds are the General, Debt Service, and Disability Access Project Funds.

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 year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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 to 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 basic financial statements.

Reporting the School District's Fiduciary Responsibilities. The School District acts in trustee capacity as an agent for individuals. These activities are reported in agency funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets:		
Current and Other Assets	\$77,599,819	\$100,203,532
Capital Assets, Net	34,306,202	31,539,937
Total Assets	111,906,021	131,743,469
Deferred Outflows of Resources	10,669,083	5,485,742
Liabilities:		
Current and Other Liabilities	3,666,994	3,843,458
Long-Term Liabilities	102,842,017	115,299,966
Total Liabilities	106,509,011	119,143,424
Deferred Inflows of Resources	11,718,238	14,220,090
Net Position:		
Net Investment in Capital Assets	3,924,651	1,919,173
Restricted	32,508,188	32,791,531
Unrestricted (Deficit)	(32,084,984)	(30,845,007)
Total Net Position	\$4,347,855	\$3,865,697

The decrease of \$22,603,713 in current and other assets is primarily due to a decrease in cash and cash equivalents for proceeds from refunding bonds issued in the prior year that were used in the current year to pay off bond anticipation notes. There was also a large decrease in receivables due to draws made from the Ohio School Facilities Commission project award. The increase of \$2,766,265 in capital assets, net is due to current year additions exceeding current year depreciation expense and deletions. Deferred outflows of resources increased \$5,183,341 due to an increase in amounts related to the School District's proportionate share of the state-wide net pension liability.

Current and other liabilities decreased \$176,464 due to a decrease in accrued interest payable. The decrease of \$12,457,949 in long-term liabilities is due to principal payments on debt obligations, including the repayment of bond anticipation notes issued in the prior year. This decrease was partially offset by an increase in the net pension liability and issuance of refunding bonds and tax anticipation notes. Deferred inflows of resources decreased \$2,501,852 due to a decrease in amounts related to the School District's proportionate share of the state-wide net pension liability.

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 2 shows the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Change in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program Revenues:		
Charges for Services and Sales	\$2,685,225	\$2,374,392
Operating Grants, Contributions, and Interest	6,685,459	6,001,106
Capital Grants, Contributions, and Interest	168,866	131,525
Total Program Revenues	<u>9,539,550</u>	<u>8,507,023</u>
General Revenues		
Property Taxes	15,474,883	16,424,532
Grants and Entitlements Restricted for Classroom Facilities	0	25,687,894
Grants and Entitlements not Restricted to Specific Programs	17,799,898	17,049,934
Gifts and Donations not Restricted to Specific Programs	26,749	24,450
Gain on Sale of Assets	0	7,486
Investment Earnings	37,127	88,346
Insurance Recoveries	0	95
Miscellaneous	108,447	78,527
Total General Revenues	<u>33,447,104</u>	<u>59,361,264</u>
Total Revenues	42,986,654	67,868,287
Program Expenses		
Instruction		
Regular	15,398,517	14,038,386
Special	5,557,941	4,664,707
Vocational	64,050	0
Other	5,301,949	4,942,177
Support Services		
Pupils	2,217,390	1,670,919
Instructional Staff	894,480	797,307
Board of Education	101,225	66,123
Administration	2,444,764	2,247,133
Fiscal and Business	1,120,211	839,224
Operation and Maintenance of Plant	3,608,150	2,685,874
Pupil Transportation	1,260,914	1,052,314
Central	214,749	223,514
Operation of Non-Instructional Services	2,050,928	1,973,254
Extracurricular Activities	718,865	636,143
Interest and Fiscal Charges	1,156,984	1,417,353
Issuance Costs	393,379	420,184
Total Expenses	<u>42,504,496</u>	<u>37,674,612</u>
Change in Net Position	482,158	30,193,675
Net Position at Beginning of Year	3,865,697	(26,327,978)
Net Position at End of Year	<u>\$4,347,855</u>	<u>\$3,865,697</u>

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Property taxes decreased \$949,649 related to differences in amounts available for advance between years affecting revenue recognition. Unrestricted grants and entitlements increased \$749,964 due to an increase in State Foundation funding. The School District also recognized revenue for its classroom facilities project in the prior year, resulting in a decrease in grants and entitlements restricted for classroom facilities. Investment earnings decreased \$51,219 due to the recognition of a decrease in fair value of investments, which was partially offset by the interest earnings on bank accounts. Operating grants and contributions increased \$684,353 due to an increase in restricted foundation funding and Title I funding.

Various expense functions increased due to increases in personnel costs. In addition, the School District had expenses for uncapitalizable repairs and maintenance which primarily affected operation and maintenance of plant expenses. Interest expense decreased due to a decrease in accrued interest payable on the significant debt obligations outstanding at the end of the last fiscal year. The District also had issuance costs associated with the new debt issuances.

Governmental Activities

Property taxes comprised 36 percent of revenue for governmental activities of the School District for fiscal year 2017. Grants and entitlements not restricted comprised 41 percent of revenue for governmental activities during 2017.

As indicated by governmental program expenses, instruction is emphasized. Total instruction comprised 62 percent of governmental program expenses with support services comprising 28 percent of governmental expenses.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2017 as compared to 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$26,322,457	\$20,454,947	\$23,645,270	\$18,445,030
Support Services	11,861,883	10,438,265	9,582,408	8,425,795
Operation of Non-Instructional Services	2,050,928	(54,246)	1,973,254	(53,154)
Extracurricular Activities	718,865	575,617	636,143	512,381
Interest and Fiscal Charges	1,156,984	1,156,984	1,417,353	1,417,353
Issuance Costs	393,379	393,379	420,184	420,184
Total Expenses	\$42,504,496	\$32,964,946	\$37,674,612	\$29,167,589

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major governmental funds begins on page 14. All of the School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$52,269,745 and expenditures of \$94,155,084. The net change in fund balance for the year was significant in the General Fund, Debt Service Fund, and Disability Access Project Fund.

The fund balance of the General Fund increased in the amount of \$1,935,684 due to revenues in excess of expenditures. Revenues remained fairly consistent between years, with the decrease in tax revenue nearly equating the increase in intergovernmental revenue, but expenditures increased due to increases in personnel costs and uncapitalizable expenditures.

The fund balance of the Debt Service Fund decreased in the amount of \$22,447,329. The decrease in fund balance is primarily due to retirement of bond anticipation notes and other debt. The increase in expenditures for debt repayments was partially offset by proceeds from additional issuances in the current year for refunding bonds.

The fund balance of the Disability Access Project Fund increased in the amount of \$6,739,072. The increase in fund balance is primarily due to draws from its Ohio School Facilities Commission grant award.

General Fund Budgeting Highlights

The School District's budget is adopted on a fund basis. Before the budget is adopted, the Board of Education reviews the detailed work papers of each object within the General Fund and then adopts the budget on a fund basis. During 2017, there were revisions to the General Fund budget. The School District's actual revenues and other financing sources were relatively consistent with budgeted amounts, except for property taxes and tuition and fees, which were higher than expected. Actual expenditures and other financing uses were also consistent with the final budget. The School District's ending unobligated fund balance was \$9,608,492.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4 shows the fiscal year 2017 balances compared to 2016.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2017	2016
Construction in Progress	\$2,381,358	\$349,722
Land and Improvements	1,846,657	1,123,284
Buildings and Improvements	27,671,133	27,831,657
Furniture and Equipment	1,718,484	1,776,935
Vehicles	688,570	458,339
Totals	\$34,306,202	\$31,539,937

Chillicothe City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The net increase in capital assets from the prior year resulted from current year additions of construction in progress, buildings and improvements, furniture and equipment, and vehicles exceeding depreciation and deletions. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (note 8).

Debt

At June 30, 2017, the School District had \$51,667,508 in bonds, bond anticipation notes, and capital leases outstanding with \$1,850,000 due within one year. Table 5 summarizes the bonds, notes, and capital leases outstanding:

Table 5
 Outstanding Debt at Year End

	2017	2016
2005 Construction Bond	\$0	\$945,000
2007 General Obligation Refunding Bonds	1,155,917	27,129,248
2009 General Obligation Bond	200,000	240,000
2016 School Facilities Bond	22,237,662	22,947,369
2015/2016 Bond Anticipation Notes	0	22,605,709
2016 PI Tax Anticipation Notes	2,388,809	0
2016 Refunding Bonds	25,685,120	0
2012 Capital Lease	0	56,754
Totals	\$51,667,508	\$73,924,080

The School District's overall legal debt margin was (\$5,666,350) and the unvoted debt margin was \$397,646 at June 30, 2017. Detailed information regarding long-term and other debt is included in the notes to the basic financial statements (notes 13 and 14).

Current Financial Related Activities

Chillicothe City School District has struggled financially for several years. This is mainly due to the tangible personal property tax loss. The tax loss hit the School District hard. We passed a 5 year emergency operating levy in May of 2013. The new emergency operating levy and the increase in the state funding of 7 ½% has helped stabilize the School District's finances.

The School District still struggles with open enrollment but the trend is starting to reduce due to the number of students coming into our School District. The outlook of the School District has stability.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Deborah Lawwell, Treasurer, Chillicothe City School District, 425 Yoctangee Parkway, Chillicothe, Ohio 45601.

Chillicothe City School District
Statement of Net Position
As of June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$45,287,300
Accrued Interest Receivable	36,073
Intergovernmental Receivable	17,007,129
Taxes Receivable	15,269,317
Non-Depreciable Capital Assets	3,028,195
Depreciable Capital Assets, net	31,278,007
<i>Total Assets</i>	111,906,021
Deferred Outflows of Resources:	
Pension	10,669,083
Liabilities:	
Accounts Payable	42,810
Accrued Wages and Benefits	3,048,214
Intergovernmental Payable	436,790
Accrued Interest Payable	139,180
Long-Term Liabilities:	
Due Within One Year	2,042,674
Due in More Than One Year	52,573,125
Net Pension Liability	48,226,218
<i>Total Liabilities</i>	106,509,011
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	11,556,296
Pension	161,942
<i>Total Deferred Inflows of Resources</i>	11,718,238
Net Position:	
Net Investment in Capital Assets	3,924,651
Restricted for Debt Service	2,810,654
Restricted for Capital Outlay	28,147,733
Restricted for Other Purposes	1,082,271
Restricted for Permanent Fund:	
Non-Expendable	450,000
Expendable	17,530
Unrestricted (Deficit)	(32,084,984)
<i>Total Net Position</i>	\$4,347,855

The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
Balance Sheet
Governmental Funds
As of June 30, 2017

	General Fund	Debt Service Fund	Disability Access Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$9,960,214	\$2,087,020	\$27,846,084	\$5,393,982	\$45,287,300
Accrued Interest Receivable	0	0	33,909	2,164	36,073
Interfund Receivable	201,722	0	0	0	201,722
Intergovernmental Receivable	44,074	0	16,251,457	711,598	17,007,129
Taxes Receivable	11,483,843	2,959,814	0	825,660	15,269,317
<i>Total Assets</i>	<u>\$21,689,853</u>	<u>\$5,046,834</u>	<u>\$44,131,450</u>	<u>\$6,933,404</u>	<u>\$77,801,541</u>
Liabilities:					
Accounts Payable	\$35,674	\$0	\$0	\$7,136	\$42,810
Accrued Wages and Benefits	2,566,269	0	0	481,945	3,048,214
Interfund Payable	0	0	0	201,722	201,722
Intergovernmental Payable	346,555	0	0	90,235	436,790
<i>Total Liabilities</i>	2,948,498	0	0	781,038	3,729,536
Deferred Inflows of Resources:					
Property Taxes Not Levied for Current Year Operations	8,699,932	2,236,180	0	620,184	11,556,296
Unavailable Revenue	393,981	105,130	16,251,457	451,764	17,202,332
<i>Total Deferred Inflows of Resources</i>	9,093,913	2,341,310	16,251,457	1,071,948	28,758,628
Fund Balances:					
Nonspendable	0	0	0	450,000	450,000
Restricted	0	2,705,524	27,879,993	4,294,868	34,880,385
Committed	31,634	0	0	536,911	568,545
Assigned	538,896	0	0	0	538,896
Unassigned (Deficit)	9,076,912	0	0	(201,361)	8,875,551
<i>Total Fund Balances</i>	<u>9,647,442</u>	<u>2,705,524</u>	<u>27,879,993</u>	<u>5,080,418</u>	<u>45,313,377</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$21,689,853</u>	<u>\$5,046,834</u>	<u>\$44,131,450</u>	<u>\$6,933,404</u>	<u>\$77,801,541</u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2017*

Total Governmental Fund Balances \$45,313,377

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. 34,306,202

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	526,320	
Intergovernmental	16,676,012	
Total	16,676,012	17,202,332

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

Deferred Outflows-Pension	10,669,083	
Deferred Inflows-Pension	(161,942)	
Net Pension Liability	(48,226,218)	
Total	(48,226,218)	(37,719,077)

Long-term liabilities, including bonds and related liabilities, capital leases, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(139,180)	
Compensated Absences	(2,948,291)	
Refunding Bonds	(23,035,000)	
Energy Conservation Bonds	(200,000)	
Capital Appreciation Bonds	(1,155,917)	
School Facilities Bonds	(20,805,000)	
Tax Anticipation Notes	(2,225,000)	
Premiums on Bonds	(4,082,782)	
Premiums on Bond Anticipation Notes	(163,809)	
Total	(54,754,979)	(54,754,979)

Net Position of Governmental Activities \$4,347,855

The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Debt Service Fund	Disability Access Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Local Taxes	\$11,484,866	\$3,372,354	\$0	\$643,556	\$15,500,776
Intergovernmental	18,756,150	558,949	9,436,437	4,971,849	33,723,385
Interest	93,783	0	260,855	24,529	379,167
Decrease in Fair Value of Investments	(56,656)	0	(103,941)	(8,415)	(169,012)
Tuition and Fees	2,200,656	0	0	181,910	2,382,566
Rent	18,320	0	0	0	18,320
Extracurricular Activities	27,153	0	0	88,782	115,935
Gifts and Donations	31,695	0	0	10,062	41,757
Customer Sales and Services	75,534	0	0	92,870	168,404
Miscellaneous	78,183	0	0	30,264	108,447
<i>Total Revenues</i>	<u>32,709,684</u>	<u>3,931,303</u>	<u>9,593,351</u>	<u>6,035,407</u>	<u>52,269,745</u>
Expenditures:					
Current:					
Instruction:					
Regular	11,967,264	0	0	571,606	12,538,870
Special	3,088,035	0	0	1,975,754	5,063,789
Vocational	64,050	0	0	0	64,050
Other	5,301,118	0	0	0	5,301,118
Support Services:					
Pupils	1,695,848	0	0	232,848	1,928,696
Instructional Staff	732,582	0	0	113,513	846,095
Board of Education	101,225	0	0	0	101,225
Administration	2,116,066	0	0	134,844	2,250,910
Fiscal	791,637	68,719	0	233,967	1,094,323
Business	1,617	0	0	0	1,617
Operation and Maintenance of Plant	2,462,517	0	638,348	338,067	3,438,932
Pupil Transportation	1,072,514	0	0	1,202	1,073,716
Central	205,067	0	0	0	205,067
Operation of Non-Instructional Services	8,650	0	0	1,957,384	1,966,034
Extracurricular Activities	526,099	0	0	107,020	633,119
Capital Outlay	582,225	0	2,215,931	1,954,945	4,753,101
Debt Service:					
Principal	56,754	50,884,915	0	0	50,941,669
Interest and Fiscal Charges	732	1,558,642	0	0	1,559,374
Issuance Costs	328,015	0	0	65,364	393,379
<i>Total Expenditures</i>	<u>31,102,015</u>	<u>52,512,276</u>	<u>2,854,279</u>	<u>7,686,514</u>	<u>94,155,084</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,607,669	(48,580,973)	6,739,072	(1,651,107)	(41,885,339)
Other Financing Sources (Uses):					
Transfers In	0	168,221	0	0	168,221
Refunding Bonds Issued	0	23,385,000	0	0	23,385,000
Other Notes Issued	0	0	0	2,500,000	2,500,000
Premium on Bond and Notes Issued	0	127,984	0	65,364	193,348
Premium on Refunding Bonds Issued	328,015	2,452,439	0	0	2,780,454
Transfers Out	0	0	0	(168,221)	(168,221)
<i>Total Other Financing Sources (Uses)</i>	<u>328,015</u>	<u>26,133,644</u>	<u>0</u>	<u>2,397,143</u>	<u>28,858,802</u>
<i>Net Change in Fund Balances</i>	1,935,684	(22,447,329)	6,739,072	746,036	(13,026,537)
<i>Fund Balances at Beginning of Year</i>	<u>7,711,758</u>	<u>25,152,853</u>	<u>21,140,921</u>	<u>4,334,382</u>	<u>58,339,914</u>
<i>Fund Balances at End of Year</i>	<u>\$9,647,442</u>	<u>\$2,705,524</u>	<u>\$27,879,993</u>	<u>\$5,080,418</u>	<u>\$45,313,377</u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe 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, 2017*

Net Change in Fund Balances - Total Governmental Funds (\$13,026,537)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.

Capital Asset Additions	4,753,101	
Current Year Depreciation	(1,642,842)	
Total	3,110,259	3,110,259

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Loss on Disposal of Capital Assets		(343,994)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	(25,893)	
Intergovernmental	(9,257,198)	
Total	(9,283,091)	(9,283,091)

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.		2,445,152
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(4,902,167)
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Repayment of bond principal and lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		50,941,669
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The issuance of bonds in governmental funds increase long-term liabilities on the statement of net position but are not reported as revenues on the statement of activities.		(28,858,802)
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.

Premium	329,382	
Annual Accretion of Capital Appreciation Bonds	(155,677)	
Total	173,705	173,705

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.

Increase in Compensated Absences	(2,721)	
Decrease in Interest Payable	228,685	
Total	225,964	225,964

Net Change in Net Position of Governmental Activities		\$482,158
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The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$11,080,317	\$11,087,450	\$11,298,018	\$210,568
Intergovernmental	18,777,124	18,610,295	18,682,081	71,786
Interest	0	75,000	93,783	18,783
Tuition and Fees	1,789,427	2,003,892	2,199,516	195,624
Rent	15,000	10,000	18,320	8,320
Extracurricular Activities	0	18,200	18,972	772
Gifts and Donations	15,000	15,000	26,749	11,749
Customer Sales and Services	10,000	75,534	75,534	0
Miscellaneous	35,200	33,050	54,528	21,478
<i>Total Revenues</i>	31,722,068	31,928,421	32,467,501	539,080
Expenditures:				
Current:				
Instruction:				
Regular	30,610,460	12,036,600	12,036,600	0
Special	19,700	3,059,282	3,059,282	0
Vocational	0	77,676	77,676	0
Other	0	5,295,934	5,295,934	0
Support Services:				
Pupils	44,120	1,715,267	1,715,267	0
Instructional Staff	40,000	746,716	746,716	0
Board of Education	6,164	101,352	101,352	0
Administration	28,701	2,125,699	2,125,699	0
Fiscal	15,750	805,505	805,505	0
Business	0	1,595	1,595	0
Operation and Maintenance of Plant	395,250	2,532,782	2,532,782	0
Pupil Transportation	350,758	1,729,327	1,729,327	0
Central	10,200	205,933	205,933	0
Operation of Non-Instructional Services	0	8,650	8,650	0
Extracurricular Activities	60,909	604,877	604,877	0
Debt Service:				
Issuance Costs	0	328,015	328,015	0
<i>Total Expenditures</i>	31,582,012	31,375,210	31,375,210	0
<i>Excess of Revenues Over Expenditures</i>	140,056	553,211	1,092,291	539,080
Other Financing Sources (Uses):				
Advances In	50,000	100,000	72,735	(27,265)
Premium of Refunding Bonds Issued	0	328,015	328,015	0
Advances Out	0	(202,086)	(202,086)	0
<i>Total Other Financing Sources (Uses)</i>	50,000	225,929	198,664	(27,265)
<i>Net Change in Fund Balance</i>	190,056	779,140	1,290,955	511,815
<i>Fund Balance at Beginning of Year</i>	7,926,140	7,926,140	7,926,140	0
<i>Prior Year Encumbrances Appropriated</i>	391,397	391,397	391,397	0
<i>Fund Balance at End of Year</i>	\$8,507,593	\$9,096,677	\$9,608,492	\$511,815

The notes to the basic financial statements are an integral part of this statement

Chillicothe City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
As of June 30, 2017

	<u>Agency</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$106,177</u>
<i>Total Assets</i>	<u><u>\$106,177</u></u>
Liabilities:	
Current Liabilities:	
Undistributed Monies	\$14,728
Due to Students	<u>91,449</u>
<i>Total Liabilities</i>	<u><u>\$106,177</u></u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1-DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Chillicothe 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/or federal guidelines.

The School District was established in 1849 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 22 square miles. It is located in Ross County, and includes all of the Village of Massieville, the City of Chillicothe and a portion of Scioto Township. It is staffed by 137 non-certified employees, 181 certificated full-time teaching personnel and 20 administrative employees who provide services to 2,825 students and other community members. The School District currently operates six instructional buildings, one administrative building, one maintenance building and one bus garage.

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 Chillicothe City School District, this includes general operations, food service and student related activities of the School District.

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; (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. Based on the foregoing, the School District's reporting entity includes one component unit, the Chillicothe Education Foundation.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organizations
- Ross-Pike Educational Service District
- City of Chillicothe

The following activities are included within the reporting entity:

Bishop Flaget Parochial School-Within the School District boundaries, the Bishop Flaget Parochial School, a school that provides classes for kindergarten through eighth grade, is operated through the Columbus Catholic Diocese. Current State legislation provides funding to this parochial school. Monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The School District is associated with two organizations, which are defined as jointly governed organizations. These organizations are the South Central Ohio Computer Association Council of Governments and Pickaway-Ross Career and Technology Center. These organizations are presented in note 16 of the notes to the basic financial statements.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

Basis of Presentation-Fund Accounting

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

Governmental funds are those through which most governmental functions 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 purpose 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, liabilities, and deferred inflows/outflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Disability Access Project Fund

The Disability Access Project Fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

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

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District has one agency fund used to account for student activity programs and another which is used as a clearing account for the School District's Workers' Compensation activity.

Basis of Presentation and Measurement Focus

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.

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 statement of net position presents the financial condition of governmental activities of the School District at 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 therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, current liabilities, and certain deferred inflows/outflows 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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows 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 the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, investment earnings, tuition and fees, and grants.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet 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 are reported on the government-wide statement of net position for pension. This item is further explained in note 10.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources included property taxes, pension, and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2017. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and is further explained in note 10.

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, except for (1) principal and interest on general long-term debt obligations, which is recorded when due and (2) the costs of accumulated unpaid vacation, personal leave and sick leave, which are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets

Budgetary Process

All funds, other than the 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 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 control has been established by the Board of Education as the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level of each fund.

The certificate of estimated resources may be amended during the 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 in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

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

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a restriction, commitment, or assignment on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as restricted, committed, or assigned fund balance for subsequent year expenditures for governmental funds. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis.

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 School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2017, investments were limited to money market accounts, STAR Ohio, commercial paper, certificates of deposit, U.S. Treasury notes, and U.S. Government Agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2017.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$93,783. The Disability Access Project Fund earned interest revenue of \$260,855. Nonmajor Governmental Funds earned interest revenue of \$24,529. The School District also experienced a decrease in fair value of investments of \$169,012, which was recognized in the General Fund, Disability Access Project Fund, and Nonmajor Governmental Funds in the amounts of \$56,656, \$103,941, and \$8,415, respectively.

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 years
Building and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	4-8 years

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

Vacation and personal leave 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 its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment 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 absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid. The School District had no matured compensated absences payable at year-end.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the government-wide financial statements when due.

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated in the statement of activities.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements 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 represents balances in special revenue funds for grants received which are restricted as to use by grantors.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. None of the School District’s restricted net position is restricted by enabling legislation.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the School District’s Board of Education.

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

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Bond Premium, Discount, and Issuance Costs

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

On the governmental fund financial statements, bond issuance costs and premiums are recognized in the year paid or received.

Deferred Loss on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of the refunding notes and the bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter and is presented as a deferred outflow of resources on the statement of net position. The School District presented no deferred loss on refunding at June 30, 2017.

Pensions

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

NOTE 3-ACCOUNTABILITY

At June 30, 2017, the Athletics, Public School Preschool, Miscellaneous State Grants, Title VI-B, School Improvement Grant, Title I, Improving Teacher Quality, and Miscellaneous Federal Grants Nonmajor Special Revenue Funds had deficit fund balances of \$1,027, \$18,647, \$2,649, \$56,273, \$2,561, \$91,755, \$23,984, and \$4,465, respectively, which were created by the application of accounting principles generally accepted in the United States of America. 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 – (non-GAAP budgetary basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and 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 as a restriction, commitment, or assignment of fund balance.
4. In accordance with generally accepted accounting principles, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the entire Rotary Fund and a portion of the Public School Support Fund.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Net Change in Fund Balance	
GAAP Basis	\$1,935,684
Revenue and Other	
Financing Sources Accruals	(131,526)
Expenditures and Other	
Financing Uses Accruals	(162,114)
Encumbrances	(352,488)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	1,399
Budget Basis	\$1,290,955

NOTE 5-DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 in 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.

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2017, the School District's bank balance of \$10,900,847 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments

As of June 30, 2017, the School District had the following investments and maturities.

Chillicothe City School District
Notes to the Basic Financial Statements
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Investment Type	Fair Value	Less than 1 Year	1-2 Years	% of Total	Credit Rating (S&P)
Money Market Funds	\$273,685	\$273,685	\$0	1%	AAAm
STAR Ohio	30,766	30,766	0	0%	AAAm
Commercial Paper	7,915,127	7,915,127	0	23%	N/A
Negotiable CDs	4,889,580	1,834,573	3,055,007	14%	N/A
Treasury Notes	1,755,169	1,002,823	752,346	5%	AAAm
US Government Agency Securities:					
FFCB	5,940,537	4,696,911	1,243,626	17%	AA+
FHLB	4,575,856	1,387,978	3,187,878	13%	AA+
FHLMC	5,304,899	2,547,526	2,757,373	15%	AA+
FNMA	4,004,250	2,469,284	1,534,966	12%	AA+
Total	\$34,689,869	\$22,158,673	\$12,531,196	100%	

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The money market fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk. As a means to limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy requires that investment portfolio maturities are limited to five years or less.

Credit Risk. The School District's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The negotiable certificates of deposit are not rated but are covered by FDIC as described in the deposits section above.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District has no investment policy dealing with investment custodial credit risk beyond the requirements in State statute that prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District places no limit on the amount that may be invested in any one issuer.

NOTE 6-PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District 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 a new fiscal year.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2017 taxes were collected are:

	<u>2016 Second-Half Collections</u>		<u>2017 First-Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$358,797,140	93.39%	\$373,031,940	93.81%
Public Utility	25,396,400	6.61%	24,613,910	6.19%
Total Assessed Value	<u>\$384,193,540</u>	<u>100.00%</u>	<u>\$397,645,850</u>	<u>100.00%</u>

Tax Rate per \$1,000 of Assessed Valuation	\$58.99	\$58.00
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The School District receives property taxes from Ross County. The 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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2017, was \$2,392,107 in the General Fund, \$618,504 in the Debt Service Fund and \$176,090 in the Permanent Improvement Fund.

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 has been deferred.

NOTE 7-RECEIVABLES

Receivables at June 30, 2017, consisted of property taxes, accounts (rent, tuition and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables is as follows:

Chillicothe City School District
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For the Fiscal Year Ended June 30, 2017

<i>Major Funds:</i>	
General	\$44,074
Disability Access Project	16,251,457
<i>Nonmajor Special Revenue Funds:</i>	
Early Literacy	3,887
Public School Preschool	34,387
Title VI-B	149,505
School Improvement	81,111
Title I	344,503
Homelessness	19,022
Improving Teacher Quality	32,665
Miscellaneous Federal Grants	46,518
<i>Total Nonmajor Funds</i>	711,598
<i>Total All Funds</i>	\$17,007,129

NOTE 8-CAPITAL ASSETS

Capital assets activity of the fiscal year ended June 30, 2017 was as follows:

	Ending Balance 6/30/16	Additions	Deletions	Ending Balance 6/30/17
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$515,510	\$131,327	\$0	\$646,837
Construction in Progress	349,722	2,317,592	(285,956)	2,381,358
Total Capital Assets, Not Being Depreciated	865,232	2,448,919	(285,956)	3,028,195
Capital Assets Being Depreciated				
Land Improvements	1,461,359	673,268	(114,992)	2,019,635
Buildings and Improvements	47,824,121	1,253,184	(2,480,541)	46,596,764
Furniture and Equipment	5,436,762	252,678	(149,449)	5,539,991
Vehicles	2,187,214	411,008	(289,375)	2,308,847
Total Capital Assets, Being Depreciated	56,909,456	2,590,138	(3,034,357)	56,465,237
Less Accumulated Depreciation				
Land Improvements	(853,585)	(50,305)	84,075	(819,815)
Buildings and Improvements	(19,992,464)	(1,115,156)	2,181,989	(18,925,631)
Furniture and Equipment	(3,659,827)	(296,604)	134,924	(3,821,507)
Vehicles	(1,728,875)	(180,777)	289,375	(1,620,277)
Total Accumulated Depreciation	(26,234,751)	(1,642,842)	2,690,363	(25,187,230)
Total Capital Assets Being Depreciated, Net	30,674,705	947,296	(343,994)	31,278,007
Governmental Activities Capital Assets, Net	\$31,539,937	\$3,396,215	(\$629,950)	\$34,306,202

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Depreciation expense was charged to the governmental functions as follows:

<i>Instruction:</i>	
Regular	\$1,376,777
Special	12,431
Other	831
<i>Support Services:</i>	
Pupils	3,341
Instructional Staff	4,398
Administration	1,644
Fiscal	472
Business	1,148
Operation and Maintenance of Plant	46,676
Pupil Transportation	98,623
Operation of Non-Instrumental Services	85,965
Extracurricular Activities	10,536
Total Depreciation Expense	\$1,642,842

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. During fiscal year 2017, the School District contracted with The Netherlands Insurance Company for liability, property, fleet, inland marine, and boiler and machinery insurance. Coverages provided are as follows:

<i>General Liability:</i>	
General Aggregate Limit	\$2,000,000
Each Occurrence Combined Single Limit	1,000,000
Medical Expense Limit (Any One Person)	15,000
<i>Employee Benefit Liability (\$1,000 Deductible):</i>	
Annual Policy Aggregate Limit	3,000,000
Each Wrongful Account Limit	1,000,000
<i>Auto Liability:</i>	
Per Accident Liability	1,000,000
<i>Stop Gap:</i>	
Each Accident	1,000,000
Disease Each Employee	1,000,000
Disease Policy Limit	1,000,000
<i>Property Insurance:</i>	
Building/Contents (\$2,500 Deductible)	
Including EDP, Inland Marine – Musical Instr.	72,036,783

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The building and contents coverage is provided on a blanket, agreed value, replacement cost basis.

Fleet Insurance:

Combined Single Limit-Each Accident	\$1,000,000
Medical Payments – Per Person (Including Extended Medical)	5,000
Uninsured and Underinsured Motorist	
Bodily Injury – Combined Single Limit – Each Accident	1,000,000
Physical Damage	Actual Cash Value or Cost of
Comprehensive (\$1,000 Deductible)	Repair, whichever is less
Collision (\$1,000 Deductible)	

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District reviewed its insurance coverages and made modifications where deemed appropriate.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The School District did not qualify for a Group Rating Plan due to prior claims. Participation in a GRP is limited to school districts that can meet the GRP's selection criteria.

The School District provides medical insurance through United Health Care, dental insurance through CoreSource, vision insurance through Vision Service Plan, and life insurance through the Metropolitan Educational Council.

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.

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.

The 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 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.

Chillicothe City School District
Notes to the Basic Financial Statements
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The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$591,936 for fiscal year 2017. Of this amount, \$0 is reported as an intergovernmental payable.

Chillicothe City School District
Notes to the Basic Financial Statements
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Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 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 increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, July 1, 2015, and July 1, 2016 when it reached 14 percent. For the fiscal year ended June 30, 2017, 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 2017 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,853,216 for fiscal year 2017. Of this amount \$297,340 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$9,747,254	\$38,478,964	\$48,226,218
Proportion of the Net Pension Liability	0.133176%	0.1149552%	
Pension Expense	\$1,286,438	\$3,615,729	\$4,902,167

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$131,466	\$1,554,735	\$1,686,201
Changes of assumptions	650,682	0	650,682
Net difference between projected and actual earnings on pension plan investments	804,006	3,194,787	3,998,793
Changes in proportion and differences	642,009	1,246,246	1,888,255
District contributions subsequent to the measurement date	591,936	1,853,216	2,445,152
Total Deferred Outflows of Resources	\$2,820,099	\$7,848,984	\$10,669,083
 <i>Deferred Inflows of Resources</i>			
Changes in proportion and differences	\$0	\$161,942	\$161,942
Total Deferred Inflows of Resources	\$0	\$161,942	\$161,942

\$2,445,152 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2018	\$663,278	\$1,070,812	\$1,734,090
2019	662,700	1,070,807	1,733,507
2020	671,069	2,311,550	2,982,619
2021	231,116	1,380,657	1,611,773
Total	\$2,228,163	\$5,833,826	\$8,061,989

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, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year set-back for both males and females. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed for the 5 year period ended June 30, 2015.

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

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	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 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 (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$12,904,757	\$9,747,254	\$7,104,293

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$51,135,416	\$38,478,964	\$27,802,500

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District’s net pension liability is expected to be significant.

NOTE 11-POSTEMPLOYMENT BENEFITS

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a post-employment benefit plan.

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS’ post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the years ended June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2 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 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contributions assigned to health care for the years ending June 30, 2017, 2016, and 2015 were \$74,014, \$67,695, and \$95,694, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial report of SERS’ Health Care plan is included in its comprehensive annual financial report. The report can be obtained on SERS’ website at www.ohsers.org under employers/audit resources.

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State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The Center’s contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0.

NOTE 12-EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators 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 275 days for administrators, 270 days for certified personnel, and 270 days for classified personnel. Upon retirement, payment is made for 35 percent of accrued, but unused sick leave credit to a maximum of 70 days for administrators, and 73.5 days for certificated employees. Payment to classified employees who retire is 40 percent of accrued sick leave up to a maximum of 270 hours, or 88 days. Payment to classified employees who separate from service for reasons other than retirement (except discharge for just cause) is 25 percent of accrued sick leave up to a maximum of 270 hours, or 55 days.

Insurance

The School District provides medical insurance through United Health Care, dental insurance through CoreSource, vision insurance through Vision Service Plan, and life insurance through the Metropolitan Educational Council.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was 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.

Attendance Bonus for Classified Employees

Absences from work are counted from July 1 through June 30 each year. Classified employees may be eligible for an “Attendance Bonus” for not using days for sick or personal leave or leave without pay. This is payable the following July of the fiscal year. For fiscal year 2017, the School District did have employees that were eligible to take advantage of this benefit.

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NOTE 13-LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Outstanding 6/30/16	Additions	Deductions	Outstanding 6/30/17	Amounts Due within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds:					
2005 Construction General Obligation Obligation Bonds – Serial and Term 2-5.25%	\$945,000	\$0	(\$945,000)	\$0	\$0
2007 Refunding Obligation Bonds – Serial and Term 3.5-4.5% Premium	25,530,000 599,008	0 0	(25,530,000) (599,008)	0 0	0 0
2007 Construction Capital Appreciation Bonds 17.7712-17.8754% Accretion of Capital Appreciation Bonds	320,000 680,240	0 155,677	0 0	320,000 835,917	0 0
2009 School Energy Conservation Improvement Term Bonds 0%	240,000	0	(40,000)	200,000	40,000
<i>Anticipation Notes:</i>					
2015 BANs	9,800,000	0	(9,800,000)	0	0
2015 BANs Premium	73,990	0	(73,990)	0	0
2016 BANs	12,650,000	0	(12,650,000)	0	0
2016 BANs Premium	81,719	0	(81,719)	0	0
2016 PI TANs	0	2,500,000	(275,000)	2,225,000	225,000
2016 PI TANs Premium	0	193,348	(29,539)	163,809	0
2016 School Facilities Bonds:					
Series 2016A	12,650,000	0	(610,000)	12,040,000	265,000
Series 2016A Premium	500,493	0	(13,229)	487,264	0
Series 2016B	8,815,000	0	(50,000)	8,765,000	50,000
Series 2016B Premium	981,876	0	(36,478)	945,398	0
2016 Refunding Bonds	0	23,385,000	(350,000)	23,035,000	1,270,000
2016 Refunding Bonds Premium	0	2,780,454	(130,334)	2,650,120	0
Total General Obligation Bonds	73,867,326	29,014,479	(51,214,297)	51,667,508	1,850,000
Capital Leases	56,754	0	(56,754)	0	0
Compensated Absences	2,945,570	1,891,766	(1,889,045)	2,948,291	192,674
Net Pension Liability	38,430,316	9,795,902	0	48,226,218	0
Total Governmental Activities Long-Term Obligations	\$115,299,966	\$40,702,147	(\$53,160,096)	\$102,842,017	\$2,042,674

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2005 Construction General Obligation Bonds – On July 1, 2004, general obligation bonds were issued for the retirement of the bond anticipation notes that were used for renovating and constructing school buildings in the amount of \$34,000,000. The bond issue included serial and term bonds (shown as general obligation bonds in the table above), and capital appreciation bonds, in the amounts of \$20,045,000, \$13,160,000, and \$795,000, respectively. During fiscal year 2007, a portion of the serial bonds were refunded with the 2007 issue, with the remaining paid from 2008 through 2015; the term bonds were refunded in their entirety with the 2007 issue; and the remaining capital appreciation bonds were paid in 2015. The maturity of the capital appreciation bonds was \$2,450,000. The remaining bonds were paid from the Debt Service Fund from tax revenue and were paid in full in fiscal year 2017.

2007 Refunding Obligation Bonds – On December 13, 2006, the School District issued \$29,717,026 in general obligation refunding bonds with interest rates from 4 to 4.125 percent, to refund \$27,920,000 of the 2005 Construction General Obligation Bonds. The bond issue included serial and term bonds and capital appreciation bonds in the amounts of \$6,905,000, \$20,695,000 and \$320,000, respectively. For 2017, \$131,235 was accreted for a total bond value of \$1,000,240, which includes accretion of \$680,240. The capital appreciation bonds will mature in fiscal years 2023 through 2025. The maturity of the bonds is \$5,715,000. The bonds were be paid from the Debt Service Fund from tax revenue with the remaining balance of the serial and term bonds refunded in fiscal year 2017 with the 2016 refunding bonds.

2009 School Energy Conservation Improvement Bonds – During fiscal year 2009, the School District issued \$524,000 in School Energy Conservation Improvement Bonds (Qualified Zone Academy Project) with a zero percent interest rate for the purpose of the School District's HB 264 energy conservation project at the High School/Middle School. The bonds will mature on December 15, 2021. The bonds will be paid from the Debt Service Fund.

Anticipation Notes – During December 2015 and January 2016, the School District issued bond anticipation notes (BANs) in the amounts of \$9,800,000 and \$12,650,000, respectively. These BANs were issued in anticipation of the issuance of bonds for the purpose of constructing and renovating school facilities and locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission and to provide for furnishing, equipping, and improving these facilities. These BANs were issued with a 2 percent interest rate and matured in July 2017, repaid with the School Facilities Construction and Improvement Bonds, Series 2016 A and B.

During August 2016, the School District issued permanent improvement tax anticipation notes (TANs) in the amount of \$2,500,000. These TANs were issued in anticipation of the collection of the proceeds of the two and five-tenths (2.5) mill continuing permanent improvement levy approved by electors of the School District on March 2, 2004 for the purpose of funding general, ongoing permanent improvements. These TANs were issued with interest rates ranging from 1 percent to 4 percent and a maturity date of December 1, 2025.

School Facilities Construction and Improvement Bonds, Series 2016A and B – During May 2016, the School District issued general obligation bonds in the amounts of \$12,650,000 and \$8,815,000, respectively, for the purpose of repaying bond anticipation notes that were issued for the purpose of constructing and renovating school facilities and locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission and to provide for furnishing, equipping, and improving these facilities. These bonds were issued with interest rates ranging from 1 to 4 percent and maturity dates of December 1, 2053 and December 1, 2042, respectively. Series A bonds include serial and term bonds in the amounts of \$2,670,000 and \$9,980,000, respectively. Series B bonds include serial and term bonds in the amounts of \$7,815,000 and \$1,000,000, respectively. The bonds will be paid from the Debt Service Fund.

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The Series A term bonds maturing on December 1, 2036 are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2025	\$5,000
2026	5,000
2027	5,000
2028	5,000
2029	5,000
2030	5,000
2031	5,000
2032	5,000
2033	5,000
2034	5,000
2035	5,000

The remaining principal amount of the term bonds (\$5,000) will be paid at stated maturity on December 1, 2036.

The Series A term bonds maturing on December 1, 2046 are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2037	\$5,000
2038	5,000
2039	10,000
2040	10,000
2041	10,000
2042	315,000
2043	695,000
2044	730,000
2045	765,000

The remaining principal amount of the term bonds (\$805,000) will be paid at stated maturity on December 1, 2046.

The Series A term bonds maturing on December 1, 2053 are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2047	\$845,000
2048	875,000
2049	905,000
2050	935,000
2051	970,000
2052	1,000,000

The remaining principal amount of the term bonds (\$1,040,000) will be paid at stated maturity on December 1, 2053.

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The Series B term bonds maturing on December 1, 2042 are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2047	\$640,000

The remaining principal amount of the term bonds (\$360,000) will be paid at stated maturity on December 1, 2042.

2016 Refunding Bonds – During September 2016, the School District issued general obligation bonds in the amount of \$23,385,000 for the purpose of currently refunding a portion of the School District’s 2007 Refunding Obligations Bonds. The School District decreased its total debt service payments by \$3,673,617 as a result of this refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$3,071,265 and incurred an accounting gain of \$78,083 (difference between reacquisition price and net carrying amount of old debt). These bonds were issued with interest rates ranging from 2 to 5 percent and maturity dates of December 1, 2032. The bonds will be paid from the Debt Service Fund.

Compensated absences payable will be paid from the funds in which the employees were paid, with the most significant being the General Fund. Capital leases will be repaid from the General Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District’s overall legal debt margin was (\$5,666,350) and the unvoted debt margin was \$397,646 at June 30, 2017.

Principal and interest requirements to retire general obligation debt at June 30, 2017 are as follows:

<u>Fiscal Year Ending</u>	<u>2016 Refunding Bonds</u>		<u>2009 General Obligation Bond Principal</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$1,270,000	\$900,000	\$40,000
2019	1,310,000	874,600	40,000
2020	1,360,000	835,300	40,000
2021	1,565,000	780,900	40,000
2022	1,640,000	718,300	40,000
2023-2027	3,505,000	3,178,000	0
2028-2032	10,115,000	1,698,800	0
2033-2034	2,270,000	90,800	0
Totals	\$23,035,000	\$9,076,700	\$200,000

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds 2007 Capital Appreciation</u>		<u>2009 General Obligation Bond Principal</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2018	\$0	\$0	\$40,000
2019	0	0	40,000
2020	0	0	40,000
2021	0	0	40,000
2022	0	0	40,000
2023-2025	320,000	5,395,000	0
Totals	\$320,000	\$5,395,000	\$200,000

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fiscal Year Ending	2016 School Facilities Construction and Improvement			
	Bonds		2016 PI TANS	
	Principal	Interest	Principal	Interest
2018	\$315,000	\$783,000	\$225,000	\$70,650
2019	285,000	777,375	225,000	68,400
2020	290,000	771,875	230,000	63,900
2021	295,000	764,925	235,000	57,000
2022	305,000	756,425	245,000	49,950
2023-2027	1,680,000	3,613,275	1,065,000	108,800
2028-2032	2,015,000	3,277,925	0	0
2033-2037	2,420,000	2,862,225	0	0
2038-2042	2,960,000	2,335,600	0	0
2043-2047	3,670,000	1,623,200	0	0
2048-2052	4,530,000	764,225	0	0
2053-2054	2,040,000	72,100	0	0
Totals	\$20,805,000	\$18,402,150	\$2,225,000	\$418,700

NOTE 14-CAPITAL LEASE

In 2012, the School District entered into a capitalized lease for copier equipment. This lease meets the criteria of a capital lease as defined by accounting principles generally accepted in the United States of America, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement.

Capital assets acquired by this lease were initially capitalized in the statement of net position for governmental activities in the amount of \$515,083 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2017 totaled \$56,754 and were paid from the General Fund. The lease was paid in full during the fiscal year.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 15-INTERFUND ACTIVITY

Interfund Receivables/Payables

As of June 30, 2017, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payables
<i>Major Fund:</i>		
General Fund	\$201,722	\$0
 <i>Nonmajor Funds:</i>		
Athletics	0	1,253
Title VI-B	0	6,934
School Improvement Grant	0	12,183
Title I	0	115,655
Title II-A	0	6,000
Miscellaneous Federal Grants	0	59,697
<i>Total Nonmajor Funds</i>	0	201,722
Total All Funds	\$201,722	\$201,722

During the year, the School District's General Fund made advances to other funds in anticipation of intergovernmental grant revenue.

Transfers

For the year ended June 30, 2017, the School District had the following interfund transactions:

Fund Type/Fund	Transfers In	Transfers Out
<i>Major Fund:</i>		
Debt Service Fund	\$168,221	\$0
 <i>Nonmajor Fund:</i>		
Permanent Improvement	0	168,221
Total All Funds	\$168,221	\$168,221

During the year, the School District's Permanent Improvement Fund transferred funds to the Debt Service Fund for debt payments.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 16-JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Council of Governments – The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG), which is organized under Ohio Revised Code Chapter 167 as a council of governments. SCOCA COG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The 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 school districts. The governing board of SCOCA COG consists of two representatives from each county in the SCOCA COG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCA COG including budgeting, appropriating, contracting, and designating management. Each district’s degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCA COG entered into a merger agreement with Metropolitan Educational Technology Association (META). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCA COG, and once these remaining liabilities are satisfied, SCOCA COG will be dissolved and the member districts will become members of META. SCOCA COG entered into a subcontract agreement with META to provide services to SCOCA COG, and on behalf of SCOCA COG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCA COG is currently governed by a four person executive governing board. The School District paid SCOCA COG \$184,759 for services provided during the fiscal year. The School District also paid META \$20,572 for voice over IP, internet, and other services during the fiscal year.

Pickaway-Ross Career and Technology Center-The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various elected city and county school boards within Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Todd Stahr, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

NOTE 17-SET-ASIDE CALCULATIONS/FUND BALANCE RESTRICTIONS

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Acquisition
Set Aside Balance as of June 30, 2016	\$0
Current Year Set Aside Requirement	522,948
Current Year Qualifying Expenditures	(2,842,144)
Total	(\$2,319,196)
Balance Carried Forward to Fiscal Year 2018	\$0
Set-Aside Balance June 30, 2017	\$0

The carryover amount in the capital acquisition set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$18,248,370 as of June 30, 2017.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

Litigation

The School District is not currently party to legal proceedings.

Full Time Equivalency

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 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 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.

NOTE 19-ENCUMBRANCES

Encumbrances

At June 30, 2017, the School District had encumbrance commitments in governmental funds as follows:

<i>Major Funds</i>	
General	\$354,222
Disability Access Project	4,451,470
<i>Nonmajor Funds</i>	
Permanent Improvement	41,190
Locally Fund Initiative	388,160
Food Service	4,436
Preschool/Latchkey	4,304
District Managed Activities	225
Auxiliary Services	36,082
School Improvement Grant	7,814
Title VI-B	44,976
Miscellaneous Federal Grants	52,291
Total Nonmajor Funds	<u>579,478</u>
Total Encumbrances	<u>\$5,385,170</u>

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Contractual Commitments

The School District had the following significant contractual commitments outstanding at June 30, 2017:

Contractor	Contract	Contract Amount	Paid Through June 30, 2017	Remaining Balance
Motz Engineering	Commissioning Agent-OSFC Project	\$193,899	\$29,826	\$164,073
Summitt Construction	Construction-OSFC Project	594,596	586,924	7,672
SHP Leading Design	Architect/Engineering-OSFC Project	3,016,635	2,243,931	772,704

NOTE 20-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 the fund balance for the major governmental funds and all other governmental funds are presented below:

	General Fund	Debt Service Fund	Disability Access Project Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Library Purposes	\$0	\$0	\$0	\$450,000	\$450,000
Total Nonspendable	0	0	0	450,000	450,000
<i>Restricted for</i>					
Capital Projects and Maintenance	0	0	27,879,993	3,519,923	31,399,916
Food Service	0	0	0	706,613	706,613
Other Purposes	0	0	0	20,173	20,173
Nonpublic Schools	0	0	0	30,629	30,629
Debt Service	0	2,705,524	0	0	2,705,524
Library Purposes	0	0	0	17,530	17,530
Total Restricted	0	2,705,524	27,879,993	4,294,868	34,880,385
<i>Committed for</i>					
Capital Projects	0	0	0	500,000	500,000
Other Purposes	31,634	0	0	36,911	68,545
Total Committed	31,634	0	0	536,911	568,545
<i>Assigned to</i>					
Student and Staff Support	33,188	0	0	0	33,188
FY18 Appropriations in Excess of Estimated Receipts	186,494	0	0	0	186,494
Other Purposes	319,214	0	0	0	319,214
Total Assigned	538,896	0	0	0	538,896
<i>Unassigned (Deficit)</i>	9,076,912	0	0	(201,361)	8,875,551
Total Fund Balances	\$9,647,442	\$2,705,524	\$27,879,993	\$5,080,418	\$45,313,377

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 21-SUBSEQUENT EVENT

Effective July 1, 2017 the School District moved to Miami Valley Educational Computer Association as its ITC site.

NOTE 22-RESTATEMENT OF BEGINNING BALANCES

During the fiscal year, the School District discovered that certain expenditures of the prior year were paid from the Permanent Improvement Fund that should have been paid from the Energy Conservation Fund. Corrections were made during the fiscal year to correct these errors. Correction of these errors had no net effect on beginning fund balances for Other Governmental Funds or beginning net position for Governmental Activities.

NOTE 23 – IMPLEMENTATION OF NEW ACCOUNTING PRONOUCEMENTS

For the fiscal year ended June 30, 2017, the School District was required to implement Governmental Accounting Standards Board Statements No. 74, “Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,” No. 77, “Tax Abatement Disclosures,” No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” No. 80, “Blending Requirements for Certain Component Units,” and No. 82, “Pension Issues.”

GASB Statement No. 74 replaces GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues. The School District has no tax abatement agreements that would have a significant effect on the financial statements.

GASB Statement No. 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, “The Financial Reporting Entity,” by requiring these component units to be blended into the primary state or local government’s financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

Chillicothe City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

GASB Statement No. 82 addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73.

None of these Statements had an impact on the School District's financial statements or note disclosures.

Chillicothe City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years

	2014	2015	2016	2017
<i>State Teachers Retirement System</i>				
School District's proportion of the net pension liability (asset)	0.10857377%	0.10857377%	0.11320302%	0.11495520%
School District's proportionate share of the net pension liability (asset)	\$31,458,107	\$26,408,898	\$31,286,004	\$38,478,964
School District's covered-employee payroll	\$10,958,115	\$10,683,146	\$10,995,771	\$13,174,171
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	287.1%	247.2%	284.5%	292.1%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%
<i>School Employees Retirement System</i>				
School District's proportion of the net pension liability (asset)	0.11587900%	0.11587900%	0.12520490%	0.13317600%
School District's proportionate share of the net pension liability (asset)	\$6,890,954	\$5,864,570	\$7,144,312	\$9,747,254
School District's covered-employee payroll	\$4,026,510	\$4,167,597	\$3,704,401	\$4,209,571
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.1%	140.7%	192.9%	231.5%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%

The amounts presented for each fiscal year were determined as of June 30.
Information not available prior to 2014.

Chillicothe City School District
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$1,623,600	\$1,642,896	\$1,850,881	\$1,744,207	\$1,666,842	\$1,424,555	\$1,388,809	\$1,539,408	\$1,844,384	\$1,853,216
Contributions in relation to the contractually required contribution	1,623,600	1,642,896	1,850,881	1,744,207	1,666,842	1,424,555	1,388,809	1,539,408	1,844,384	1,853,216
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$12,489,231	\$12,637,662	\$14,237,546	\$13,416,977	\$12,821,862	\$10,958,115	\$10,683,146	\$10,995,771	\$13,174,171	\$13,237,257
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$434,408	\$378,738	\$632,888	\$556,650	\$627,846	\$557,269	\$577,629	\$488,240	\$589,340	\$591,936
Contributions in relation to the contractually required contribution	434,408	378,738	632,888	556,650	627,846	557,269	577,629	488,240	589,340	591,936
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$4,423,707	\$3,848,963	\$4,674,210	\$4,428,401	\$4,668,000	\$4,026,510	\$4,167,597	\$3,704,401	\$4,209,571	\$4,228,114
Contributions as a percentage of covered-employee payroll	9.82%	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	3L60	1,219,009	1,219,009
National School Lunch Program non-cash	10.555	3L60	133,333	133,333
School Breakfast Program	10.553	3L70	486,779	486,779
Total Nutrition Cluster			1,839,121	1,839,121
Fresh Fruit and Vegetable Program	10.582	3GG0	44,197	46,999
Team Nutrition Grant	10.574		-	4,000
Total U.S. Department of Agriculture			1,883,318	1,890,120
Institute of Meseum and Library Services				
<i>Passed Through State Library of Ohio</i>				
Grants to States	45.310	3130	4,972	4,657
Total Institute of Museum and Library Services			4,972	4,657
U.S. DEPARTMENT OF TRANSPORTATION:				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning Cluster:				
Highway Planning and Construction	20.205	N/A	4,995	3,850
Total U.S. Department of Transportation			4,995	3,850
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	3M00	9,984	10,765
Title I Grants to Local Educational Agencies	84.010	3M00	87,243	91,612
Title I Grants to Local Educational Agencies	84.010	3M00	241,392	202,458
Title I Grants to Local Educational Agencies	84.010	3M00	1,160,748	1,230,833
Total Title I			1,499,367	1,535,668
Special Education Cluster:				
Special Education - Grants to States	84.027	3M20	123,849	116,527
Special Education - Grants to States	84.027	3M20	618,008	624,942
Total Special Education - Grants to States			741,857	741,469
Special Education - Preschool Grants	84.173	3C50	8,351	8,351
Total Special Education Cluster			750,208	749,820
Education for Homeless Children and Youth	84.196	3EJ0	36,154	35,865
Education for Homeless Children and Youth	84.196	3EJ1	32,828	33,423
Total Education for Homeless Children and Youth			68,982	69,288
Rural Education	84.358	3Y80	3,860	3,848
Rural Education	84.358	3Y80	51,217	55,587
Total Rural Education			55,077	59,435
Improving Teacher Quality State Grants	84.367	3Y60	32,535	33,111
Improving Teacher Quality State Grants	84.367	3Y60	190,621	189,087
Ohio Teacher of the Year Grant	84.367	3Y60	-	6,000
Total Improving Teacher Quality			223,156	228,198
Total U.S. Department of Education			2,596,790	2,642,409
Total Expenditures of Federal Awards			4,490,075	4,541,036

The accompanying notes are an integral part of this schedule.

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS and EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Chillicothe City School District
Ross County
425 Yoctangee Parkway
Chillicothe, Ohio 45601

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chillicothe City School District, Ross County, (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 12, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 12, 2018



Dave Yost • Auditor of State

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

Chillicothe City School District
Ross County
425 Yoctangee Parkway
Chillicothe, Ohio 45601

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Chillicothe City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Chillicothe City School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Chillicothe City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 12, 2018

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I: CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

CHILLICOTHE CITY SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 27, 2018