

**Wapakoneta City School District
Auglaize County, Ohio**

Basic Financial Statements – Cash Basis

June 30, 2016

with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Wapakoneta City School District
1102 Gardenia Dr.
Wapakoneta, OH 45895

We have reviewed the *Independent Auditors' Report* of the Wapakoneta City School District, Auglaize County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 8, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Education
Wapakoneta City School District
1102 Gardenia Drive
Wapakoneta, Ohio 45895

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

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

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Accounting Basis

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

Other Matters*Supplementary and Other Information*

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis (pages 3-12) and the schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 12, 2016

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The management's discussion and analysis of the Wapakoneta City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The total cash-basis net position of the District increased \$4,455,035 or 35.06% from fiscal year 2015.
- General receipts accounted for \$29,003,939 or 83.34% of total governmental activities receipts. Program specific receipts accounted for \$5,796,568 or 16.66% of total governmental activities receipts.
- The District had \$30,345,472 in disbursements related to governmental activities; \$5,796,568 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts of \$29,003,939 were adequate to provide for these programs.
- The District's major funds are the general fund and the bond retirement fund. The general fund, the District's largest major fund, had total receipts of \$28,802,418 in 2016. The disbursements of the general fund totaled \$24,595,719. The general fund's balance increased \$4,206,699 or 50.37% from 2015 to 2016.
- The bond retirement fund had total receipts of \$2,013,733 in 2016. The disbursements of the bond retirement fund, totaled \$1,737,845 in 2016. The bond retirement fund's balance increased \$275,888 or 16.68% from 2015 to 2016.

Using these Basic Financial Statements

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

The statement of net position – cash basis and statement of activities – cash basis provide information about the activities of the District as a whole, presenting an aggregate view of the District's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The general fund and the bond retirement fund are the District's most significant funds.

Reporting the District as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

The statement of net position – cash basis and the statement of activities – cash basis answer the question, "How did the District perform financially during 2016?" These statements only present the District's net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This financial reporting framework takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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These two statements report the District's net position and changes in net position on a cash basis. The change in net position is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position – cash basis and statement of activities – cash basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

An analysis of the District's major governmental funds begins on page 9. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the 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 readily spent to finance various District programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds, whose activity or balances are not large enough to warrant separate reporting, is aggregated and presented in a single column.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are agency funds.

Notes to the 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. These notes to the basic financial statements can be found on pages 19-49 of this report.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The District as a Whole

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

	Net Position (Cash Basis)	
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
<u>Assets:</u>		
Equity in pooled cash and investments	\$ 17,160,730	\$ 12,705,695
Total assets	<u>\$ 17,160,730</u>	<u>\$ 12,705,695</u>
<u>Net Position:</u>		
Restricted	\$ 4,604,744	\$ 4,365,660
Unrestricted	<u>12,555,986</u>	<u>8,340,035</u>
Total net position	<u>\$ 17,160,730</u>	<u>\$ 12,705,695</u>

Total cash basis net position of the District increased \$4,455,035, which represents a 35.06% increase from the District's net position at June 30, 2015. A portion of the District's net position, \$4,604,744, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$12,555,986 may be used to meet the District's ongoing obligations to the students and creditors.

The table on the following page shows the changes in net position for fiscal years 2016 and 2015.

	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
<u>Receipts:</u>		
Program receipts:		
Charges for services and sales	\$ 2,098,844	\$ 1,960,897
Operating grants and contributions	3,697,724	3,869,107
Capital grants and contributions	-	24,681
General receipts:		
Property taxes	8,795,293	8,314,533
Income taxes	3,156,943	3,095,706
Grants and entitlements	16,881,566	16,090,669
Investment earnings	114,571	82,842
Proceeds from refunding bonds	-	22,209,848
Premium on refunding bonds	-	3,317,303
Miscellaneous	<u>55,566</u>	<u>77,920</u>
Total receipts	<u>34,800,507</u>	<u>59,043,506</u>

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	Change in Net Position - (Continued)	
	Governmental	Governmental
	Activities	Activities
	<u>2016</u>	<u>2015</u>
<u>Disbursements:</u>		
Instruction:		
Regular	\$ 13,530,311	\$ 13,249,959
Special	3,087,829	2,967,364
Vocational	367,394	383,773
Other	74,591	90,451
Support services:		
Pupil	1,581,312	1,583,358
Instructional staff	1,204,983	1,322,200
Board of education	18,873	18,775
Administration	1,896,663	1,712,594
Fiscal	547,492	533,876
Business	5,172	3,054
Operations and maintenance	2,634,342	2,454,012
Pupil transportation	1,247,573	1,554,731
Central	132,240	136,901
Operation of non-instructional services:		
Food service operations	1,247,868	1,266,197
Other non-instructional services	24,713	14,772
Extracurricular activities	694,386	707,812
Facilities acquisition and construction	344,930	175,911
Debt service:		
Principal retirement	955,000	365,000
Interest and fiscal charges	749,800	654,488
Payment to refunded bond escrow agent	-	25,133,439
Bond issuance costs	-	393,712
Total disbursements	<u>30,345,472</u>	<u>54,722,379</u>
Change in net position	4,455,035	4,321,127
Net position at beginning of year	<u>12,705,695</u>	<u>8,384,568</u>
Net position at end of year	<u>\$ 17,160,730</u>	<u>\$ 12,705,695</u>

Governmental Activities

Governmental cash assets increased by \$4,455,035 from June 30, 2015 to June 30, 2016; total governmental disbursements of \$30,345,472 were offset by program receipts of \$5,796,568 and general receipts of \$29,003,939. Program receipts supported 19.10% of the total governmental disbursements.

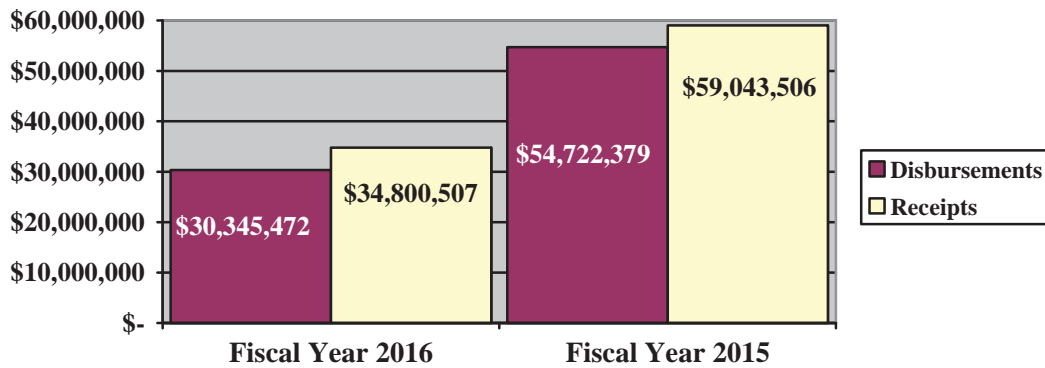
The primary sources of receipts for governmental activities are derived from property taxes, income taxes, grants and entitlements and bond refunding related receipts. These receipt sources represent 82.85% of total governmental receipts. Real estate property is reappraised every six years.

**WAPAKONETA CITY SCHOOL DISTRICT
 AUGLAIZE COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$17,060,125 or 56.22% of total governmental disbursements for fiscal year 2016.

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2016 and 2015.

Governmental Activities - Total Receipts vs. Total Disbursements



The statement of activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

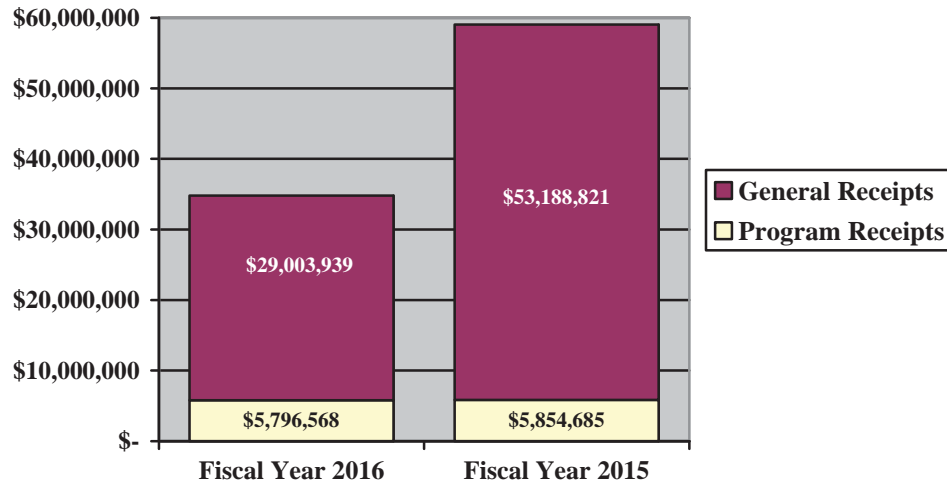
	Governmental Activities			
	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services
	2016	2016	2015	2015
<hr/>				
Disbursements:				
Instruction:				
Regular	\$ 13,530,311	\$ 11,853,755	\$ 13,249,959	\$ 11,657,157
Special	3,087,829	843,088	2,967,364	716,347
Vocational	367,394	248,755	383,773	253,976
Other	74,591	74,591	90,451	90,451
Support services:				
Pupil	1,581,312	1,568,114	1,583,358	1,582,158
Instructional staff	1,204,983	1,154,359	1,322,200	1,299,270
Board of education	18,873	18,873	18,775	18,775
Administration	1,896,663	1,878,316	1,712,594	1,656,169
Fiscal	547,492	547,492	533,876	533,518
Business	5,172	5,172	3,054	3,054
Operations and maintenance of plant	2,634,342	2,575,658	2,454,012	2,388,141
Pupil transportation	1,247,573	1,192,135	1,554,731	1,495,096
Central	132,240	123,240	136,901	127,901
Food service operations	1,247,868	(6,350)	1,266,197	(73,105)
Other non instructional services	24,713	23,513	14,772	14,607
Extracurricular	694,386	398,463	707,812	385,719
Facilities acquisition and construction	344,930	344,930	175,911	171,821
Debt service:				
Principal retirement	955,000	955,000	365,000	365,000
Interest and fiscal charges	749,800	749,800	654,488	654,488
Payment to refunded bond escrow agent	-	-	25,133,439	25,133,439
Bond issuance costs	-	-	393,712	393,712
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 30,345,472</u>	<u>\$ 24,548,904</u>	<u>\$ 54,722,379</u>	<u>\$ 48,867,694</u>

The dependence upon general receipts for instructional activities is apparent, as 76.32% of disbursements were supported through taxes and other general receipts during 2016. For all governmental activities, general receipts support is 80.90%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support of the District's students.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The graph below presents the District's governmental activities receipts for fiscal year 2016 and 2015.

Governmental Activities - General and Program Receipts



The District's Funds

At June 30, 2016, the District's governmental funds reported a combined cash fund balance of \$17,160,730, which is \$4,455,035 more than last year's total of \$12,705,695. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015, for all major and nonmajor governmental funds.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase/ (Decrease)
Major Funds:			
General	\$ 12,558,131	\$ 8,351,432	\$ 4,206,699
Bond retirement fund	1,930,263	1,654,375	275,888
Other governmental funds	<u>2,672,336</u>	<u>2,699,888</u>	<u>(27,552)</u>
Total	<u>\$ 17,160,730</u>	<u>\$ 12,705,695</u>	<u>\$ 4,455,035</u>

General Fund

The general fund, the District's largest major fund, had total receipts of \$28,802,418 in 2016. The disbursements of the general fund totaled \$24,595,719. The general fund's balance increased \$4,206,699 or 50.37% from 2015 to 2016.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The table that follows assists in illustrating the receipts of the general fund.

	2016 Amount	2015 Amount	Percentage Change
<u>Receipts:</u>			
Taxes	\$ 9,146,147	\$ 8,646,779	5.78 %
Tuition	1,099,997	1,007,010	9.23 %
Earnings on investments	112,609	81,165	38.74 %
Miscellaneous	205,798	215,104	(4.33) %
Intergovernmental	18,237,867	17,552,199	3.91 %
Total	<u>\$ 28,802,418</u>	<u>\$ 27,502,257</u>	4.73 %

General fund tuition receipts increased \$92,987 or 9.23% during 2016 due to higher open enrollment and preschool enrollment throughout the District. Interest receipts increased \$31,444 or 38.74% due to improved interest rates on the Districts investments. All other receipt classifications remained comparable to 2015.

The table that follows assists in illustrating the disbursements of the general fund.

	2016 Amount	2015 Amount	Percentage Change
<u>Disbursements:</u>			
Instruction	\$ 15,780,836	\$ 15,307,823	3.09 %
Support services	8,360,385	8,303,056	0.69 %
Extracurricular	420,394	374,881	12.14 %
Facilities acquisition and construction	11,896	-	100.00 %
Other	22,208	7,620	191.44 %
Total	<u>\$ 24,595,719</u>	<u>\$ 23,993,380</u>	2.51 %

Disbursements remained comparable to 2015; overall, disbursements of the general fund increased 2.51% from the prior year.

Bond Retirement Fund

The bond retirement fund had total receipts of \$2,013,733 in 2016. The disbursements of the bond retirement fund, totaled \$1,737,845 in 2016. The bond retirement fund's balance increased \$275,888 or 16.68% from 2015 to 2016.

Budgeting Highlights - General Fund

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

For the general fund, actual receipts and other financing sources of \$28,854,484 were higher than final budgeted receipts and other financing sources by \$1,294,880. Final budgeted disbursements and other financing uses of \$26,082,790 were higher than original budgeted disbursements and other financing uses of \$25,330,190. Actual disbursements and other financing uses of \$24,750,014 were \$1,332,776 lower than final budgeted disbursements and other financing uses.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital Assets and Debt Administration

Capital Assets

The District does not capitalize assets on its financial statements or record the amortization of depreciation expense; rather, the District records disbursements when capital assets are purchased.

Debt Administration

At June 30, 2016, the District had \$23,436,006 in long-term obligations outstanding; of this amount, \$705,000 is due within one year. A summary of the District's long-term obligations outstanding at June 30, 2016 and 2015 follows:

	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
Series 2008 school improvement bonds:		
Current interest	\$ -	\$ 435,000
Capital appreciation (including accreted interest)	1,311,127	1,067,684
Series 2015 school improvement refunding bonds:		
Current interest	22,105,000	22,105,000
Capital appreciation (including accreted interest)	<u>19,879</u>	<u>151,315</u>
Total long-term obligations	<u>\$ 23,436,006</u>	<u>\$ 23,758,999</u>

For further information regarding the District's long-term obligations, refer to Note 8 to the basic financial statements.

Current Financial Related Activities

The District is always concerned with State funding formulas, the resources available to the State, and the proportions allocated to education. The current two-year State budget and revised school funding formula projects increases in school funding for the District through fiscal year 2016.

With House Bill 920, current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction, which forces tax receipts to remain constant.

The Board of Education approved a new three-year contract with the Wapakoneta Education Association, effective July 1, 2014, which will result in a 2% increase in base wages for fiscal years 2015, 2016 and 2017. Step increases will be granted in fiscal year 2015, only. In lieu of step increases, a \$350 stipend will be provided to all certified staff in fiscal years 2016 and 2017.

The Board of Education approved a new three-year contract with the Wapakoneta Classified Association, effective July 1, 2015, which will result in a 3%, 2.5% and 0% increase in base wages for fiscal years 2016, 2017 and 2018, respectively. Step increases will be granted in fiscal year 2016 and 2017. In lieu of step increases, a \$500 stipend will be provided to classified staff in fiscal year 2018.

The administration continues to try to balance education needs and community interests with the resources made available. The challenge for all school districts is to provide quality services to the public while staying within the restrictions imposed by limited and changing funding. The District will continue to monitor the financial situation of the District in order to continue to provide a balanced budget.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Angela Sparks, Treasurer, Wapakoneta City School District, 1102 Gardenia Drive, Wapakoneta, Ohio 45895.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 17,160,730
Total assets.	\$ 17,160,730
 Net position:	
Restricted for:	
Capital projects	\$ 1,606,633
Classroom facilities maintenance.	452,481
Debt service.	1,930,263
Locally funded programs	4,248
Federally funded programs	8
Student activities.	102,814
Other purposes	508,297
Unrestricted.	12,555,986
Total net position	\$ 17,160,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

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

	Disbursements	Program Receipts		Net (Disbursements)
		Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Position
Governmental activities:				Governmental Activities
Instruction:				
Regular	\$ 13,530,311	\$ 1,199,799	\$ 476,757	\$ (11,853,755)
Special	3,087,829	40,401	2,204,340	(843,088)
Vocational	367,394	-	118,639	(248,755)
Other	74,591	-	-	(74,591)
Support services:				
Pupil	1,581,312	-	13,198	(1,568,114)
Instructional staff	1,204,983	-	50,624	(1,154,359)
Board of education	18,873	-	-	(18,873)
Administration	1,896,663	8,366	9,981	(1,878,316)
Fiscal	547,492	-	-	(547,492)
Business	5,172	-	-	(5,172)
Operations and maintenance	2,634,342	35,024	23,660	(2,575,658)
Pupil transportation	1,247,573	7,610	47,828	(1,192,135)
Central	132,240	-	9,000	(123,240)
Operation of non-instructional services:				
Food service operations	1,247,868	579,654	674,564	6,350
Other non-instructional services	24,713	-	1,200	(23,513)
Extracurricular activities	694,386	227,990	67,933	(398,463)
Facilities acquisition and construction	344,930	-	-	(344,930)
Debt service:				
Principal retirement	955,000	-	-	(955,000)
Interest and fiscal charges	749,800	-	-	(749,800)
Total governmental activities	\$ 30,345,472	\$ 2,098,844	\$ 3,697,724	(24,548,904)

General receipts:

Property taxes levied for:	
General purposes	7,030,995
Debt service	1,764,298
Income taxes levied for:	
General purposes	2,115,152
Permanent improvement	1,041,791
Grants and entitlements not restricted to specific programs	16,881,566
Investment earnings	114,571
Miscellaneous	55,566
Total general revenues	29,003,939
Change in net position	4,455,035
Net position at beginning of year	12,705,695
Net position at end of year	\$ 17,160,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 12,556,930	\$ 1,930,263	\$ 2,672,336	\$ 17,159,529
Restricted cash and investments	1,201	-	-	1,201
Total assets	<u>\$ 12,558,131</u>	<u>\$ 1,930,263</u>	<u>\$ 2,672,336</u>	<u>\$ 17,160,730</u>
Fund balances:				
Nonspendable:				
Unclaimed monies.	\$ 1,201	\$ -	\$ -	\$ 1,201
Restricted:				
Debt service	-	1,930,263	-	1,930,263
Capital improvements	-	-	1,606,633	1,606,633
Classroom facilities maintenance	-	-	452,481	452,481
Food service operations	-	-	508,297	508,297
Special education	-	-	8	8
Other purposes.	-	-	4,248	4,248
Extracurricular activities	-	-	102,814	102,814
Committed:				
Termination benefits.	120,136	-	-	120,136
Assigned:				
Student instruction	75,161	-	-	75,161
Student and staff support.	31,383	-	-	31,383
Extracurricular activities	5,352	-	-	5,352
Unassigned (deficit)	12,324,898	-	(2,145)	12,322,753
Total fund balances	<u>\$ 12,558,131</u>	<u>\$ 1,930,263</u>	<u>\$ 2,672,336</u>	<u>\$ 17,160,730</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

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

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:				
From local sources:				
Property taxes	\$ 7,030,995	\$ 1,764,298	\$ -	\$ 8,795,293
Income taxes	2,115,152	-	1,041,791	3,156,943
Tuition	1,099,997	-	-	1,099,997
Transportation fees	7,610	-	-	7,610
Earnings on investments	112,609	-	2,445	115,054
Charges for services	-	-	608,351	608,351
Extracurricular	7,252	-	220,738	227,990
Classroom materials and fees	140,203	-	-	140,203
Rental income	14,693	-	-	14,693
Contributions and donations	8,604	-	26,847	35,451
Other local revenues	27,436	-	60,612	88,048
Intergovernmental - intermediate	-	-	9,000	9,000
Intergovernmental - state	18,237,867	249,435	175,729	18,663,031
Intergovernmental - federal	-	-	1,838,843	1,838,843
Total receipts	28,802,418	2,013,733	3,984,356	34,800,507
Disbursements:				
Current:				
Instruction:				
Regular	12,944,356	-	585,955	13,530,311
Special	2,397,339	-	690,490	3,087,829
Vocational	364,550	-	2,844	367,394
Other	74,591	-	-	74,591
Support services:				
Pupil	1,568,258	-	13,054	1,581,312
Instructional staff	1,050,739	-	154,244	1,204,983
Board of education	18,873	-	-	18,873
Administration	1,878,408	-	18,255	1,896,663
Fiscal	498,820	33,045	15,627	547,492
Business	5,172	-	-	5,172
Operations and maintenance	2,140,262	-	494,080	2,634,342
Pupil transportation	1,076,613	-	170,960	1,247,573
Central	123,240	-	9,000	132,240
Operation of non-instructional services:				
Food service operations	-	-	1,247,868	1,247,868
Other non-instructional services	22,208	-	2,505	24,713
Extracurricular activities	420,394	-	273,992	694,386
Facilities acquisition and construction	11,896	-	333,034	344,930
Debt service:				
Principal retirement	-	955,000	-	955,000
Interest and fiscal charges	-	749,800	-	749,800
Total disbursements	24,595,719	1,737,845	4,011,908	30,345,472
Excess (deficiency) of receipts over (under) disbursements	4,206,699	275,888	(27,552)	4,455,035
Other financing sources (uses):				
Transfers in	-	-	49,576	49,576
Transfers (out)	-	-	(49,576)	(49,576)
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	4,206,699	275,888	(27,552)	4,455,035
Fund balances at beginning of year	8,351,432	1,654,375	2,699,888	12,705,695
Fund balances at end of year	\$ 12,558,131	\$ 1,930,263	\$ 2,672,336	\$ 17,160,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
From local sources:				
Property taxes	\$ 6,553,024	\$ 6,554,024	\$ 7,030,995	\$ 476,971
Income taxes	2,050,007	2,050,007	2,115,152	65,145
Tuition	954,829	958,329	1,099,998	141,669
Transportation fees	6,000	6,000	7,610	1,610
Earnings on investments	75,000	91,854	112,609	20,755
Classroom materials and fees	115,700	117,114	140,203	23,089
Rental income	7,000	7,000	9,019	2,019
Contributions and donations	6,000	2,000	2,494	494
Other local revenues	24,977	24,977	33,110	8,133
Intergovernmental - intermediate	500	-	-	-
Intergovernmental - state	17,584,065	17,627,211	18,237,866	610,655
Intergovernmental - federal	55,000	55,000	-	(55,000)
Total receipts	<u>27,432,104</u>	<u>27,493,518</u>	<u>28,789,056</u>	<u>1,295,538</u>
Disbursements:				
Current:				
Instruction:				
Regular	12,977,969	13,488,280	13,020,448	467,832
Special	2,613,289	2,525,734	2,376,724	149,010
Vocational	341,210	422,071	378,253	43,818
Other	97,754	106,481	74,591	31,890
Support services:				
Pupil	1,635,101	1,648,015	1,568,832	79,183
Instructional staff	1,144,804	1,240,822	1,046,252	194,570
Board of education	21,093	22,968	20,073	2,895
Administration	1,780,907	1,847,006	1,821,338	25,668
Fiscal	482,660	498,743	489,392	9,351
Business	5,500	5,500	5,172	328
Operations and maintenance	2,192,390	2,262,795	2,113,345	149,450
Pupil transportation	1,291,787	1,214,680	1,073,365	141,315
Central	152,450	143,449	123,240	20,209
Other non-instructional services	9,278	27,787	22,208	5,579
Extracurricular activities	403,998	436,563	425,746	10,817
Facilities acquisition and construction	-	11,896	11,896	-
Total disbursements	<u>25,150,190</u>	<u>25,902,790</u>	<u>24,570,875</u>	<u>1,331,915</u>
Excess of receipts over disbursements	<u>2,281,914</u>	<u>1,590,728</u>	<u>4,218,181</u>	<u>2,627,453</u>
Other financing sources (uses):				
Refund of prior year's expenditures	125,000	65,000	64,342	(658)
Refund of prior year's receipts	(5,000)	(5,000)	(4,139)	861
Transfers (out)	(175,000)	(175,000)	(175,000)	-
Sale of capital assets	2,500	1,086	1,086	-
Total other financing sources (uses)	<u>(52,500)</u>	<u>(113,914)</u>	<u>(113,711)</u>	<u>203</u>
Net change in fund balance	<u>2,229,414</u>	<u>1,476,814</u>	<u>4,104,470</u>	<u>2,627,656</u>
Fund balance at beginning of year	8,101,718	8,101,718	8,101,718	-
Prior year encumbrances appropriated	118,710	118,710	118,710	-
Fund balance at end of year	<u>\$ 10,449,842</u>	<u>\$ 9,697,242</u>	<u>\$ 12,324,898</u>	<u>\$ 2,627,656</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

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

	Agency
Assets:	
Equity in pooled cash and investments.	\$ 51,889
Total assets.	\$ 51,889
Net position:	
Held in trust for students	\$ 46,308
Held in trust for others	5,581
Total net position.	\$ 51,889

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Wapakoneta City School District (the "District"), located in Auglaize County, Ohio is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio and provides educational services as authorized by state and federal guidelines. The District operates under a locally-elected Board form of government consisting of four members elected for staggered four year terms. The Board oversees the operations of the District's 5 facilities staffed by 104 non-certified employees, 173 certified teaching personnel, and 13 administrators who provide services to 3,092 students and community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus". The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes when the District's relationship with the organization further results in a financial benefit or burden of the District, or if it is the opinion of management that the exclusion of the organization would be misleading. The District does not have any component units.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam and Van Wert counties and the cities of St. Marys and Wapakoneta. 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 NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. During 2016, the District paid \$82,097 to NOACSC for its services. Financial information is available from Ray Burden, Executive Director, at 645 South Main Street, Lima, Ohio 45804.

Apollo Career Center

The Apollo Career Center (Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center is operated under the direction of a Board and is its own budgeting and taxing authority. Financial information can be obtained from the Apollo Career Center, 3325 Shawnee Road, Lima, Ohio 45806.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio.

The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

Southwestern Ohio Educational Purchasing Cooperative

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208 Vandalia, OH 45377.

PUBLIC ENTITY RISK POOLS

Ohio School Plan

The District participates in the Ohio School Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Ohio School Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Ohio School Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Ohio School Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206. See Note 9.B to the financial statements for more information about the Ohio School Plan.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool established under Section 4123.29 of the Ohio Revised Code. The Plan was established through the Ohio School Boards Association (OSBA).

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program. See Note 9.C to the financial statements for more information about the Plan.

B. Fund Accounting

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 purposes for which they may or must be used.

The following are the District's major governmental funds:

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash assets and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District did not have any trust funds in fiscal year 2016. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for faculty monies and student-managed activities.

C. Basis of Presentation

Government-wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities - cash basis presents a comparison between direct disbursements and program receipts for each function or program of the governmental activities of the District. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include amounts paid by the recipient of 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. Receipts not classified as program receipts are presented as general receipts of the District.

All assets and net position associated with the operation of the District are included on the statement of net position - cash basis.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

D. Basis of Accounting

Although required by Ohio Administrative Code §117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipts of each fund. Prior to June 30, the District must revise its budget so that total contemplated disbursements from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in receipts are identified by the District Treasurer.

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities and negotiable certificates of deposit. With the exception of STAR Ohio, investments are reported at cost.

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 shares price, which is the price at which the investment could be sold on June 30, 2016. The District also has deposited funds in the STAR Ohio Plus program, which allows Ohio's political subdivisions to deposit monies in a network of Federal Deposit Insurance Corporation-insured banks via a single account.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$112,609, which included \$32,403 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Restricted Cash

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund consist of unclaimed monies.

H. Inventory and Prepaid Items

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

I. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

J. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

K. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other debt obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

L. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grants are received.

M. Pensions

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 basic financial statements.

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net position - cash basis. During fiscal year 2016, the District did not have any advances.

O. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

P. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations.

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE -- (Continued)

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 449
Title I - disadvantaged children	1,696

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. These fund deficits occurred in grant funds for which grant funding is provided on a reimbursement basis.

C. Compliance

Ohio Administrative Code, 117-2-03(B), requires that the District prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2016, the District prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Protection of the 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$125 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments.”

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$6,206,775. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2016, \$4,428,800 of the District’s bank balance of \$6,721,482 was exposed to custodial risk as discussed below, while \$2,292,682 was covered by the FDIC.

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

C. Investments

As of June 30, 2016, the District had the following investments and maturities:

Investment type	Carrying Value	Fair Value	Investment Maturities at Fair Value				
			6 months or less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
STAR Ohio	\$ 4,150,684	\$ 4,150,684	\$ 4,150,684	\$ -	\$ -	\$ -	\$ -
FHLMC	500,000	500,140	-	-	-	-	500,140
Negotiable CD's	6,351,000	6,415,231	97,045	725,554	1,503,846	449,005	3,639,781
Money markets	4,035	4,035	4,035	-	-	-	-
Total	\$ 11,005,719	\$ 11,070,090	\$ 4,251,764	\$ 725,554	\$ 1,503,846	\$ 449,005	\$ 4,139,921

The weighted average maturity of investments is 1.74 years.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: The Ohio Revised Code generally limits securities purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

Credit Risk: STAR Ohio and federal agency securities carry a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's negotiable certificates of deposit were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 4,150,684	37.71
FHLMC	500,000	4.54
Negotiable CD's	6,351,000	57.71
Money market	<u>4,035</u>	0.04
Total	<u>\$ 11,005,719</u>	<u>100.00</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position - Cash Basis

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

Cash and Investments per note

Carrying amount of deposits	\$ 6,206,775
Investments	11,005,719
Cash on hand	<u>125</u>
Total	<u>\$ 17,212,619</u>

Cash and Investments per Statement of Net Position - Cash Basis

Governmental activities	\$ 17,160,730
Agency funds	<u>51,889</u>
Total	<u>\$ 17,212,619</u>

NOTE 5 - INCOME TAXES

The District levies a voted tax of .5 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .5 percent portion of the tax was effective on January 1, 1991, and the .25 percent portion of the tax was effective on January 1, 1996. The entire voted tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the general fund, the permanent improvement fund and the classroom facilities maintenance fund.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Auglaize County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 378,782,550	97.52	\$ 380,266,680	97.76
Public utility personal	<u>9,618,940</u>	<u>2.48</u>	<u>8,732,385</u>	<u>2.24</u>
Total	<u>\$ 388,401,490</u>	<u>100.00</u>	<u>\$ 388,999,065</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$30.60		\$30.60	

NOTE 7 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the permanent improvement fund to:</u>	
Classroom Facilities Maintenance	<u>\$ 49,576</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or (1) budget requires to expend them and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities - cash basis. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - LONG-TERM OBLIGATIONS

The table that follows summarizes the changes in the District's long-term obligations during fiscal year 2016.

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Governmental Activities:					
Series 2008 school improvement bonds:					
Current interest bonds	\$ 435,000	\$ -	\$ (435,000)	\$ -	\$ -
Capital appreciation bonds	245,000	-	-	245,000	80,000
Accreted interest on capital appreciation bonds	822,684	243,443	-	1,066,127	390,000
Series 2015 refunding bonds:					
Current interest bonds	22,105,000	-	-	22,105,000	235,000
Capital appreciation bonds	104,848	-	(99,954)	4,894	-
Accreted interest on capital appreciation bonds	46,467	388,564	(420,046)	14,985	-
Total governmental activities	<u>\$ 23,758,999</u>	<u>\$ 632,007</u>	<u>\$ (955,000)</u>	<u>\$ 23,436,006</u>	<u>\$ 705,000</u>

Series 2015 School Improvement Refunding Bonds: On March 26, 2015, the District issued \$22,209,848 in school improvement refunding bonds to refund the Series 2008 School improvement construction bonds that were for construction of two new elementary schools, an addition to the middle school, and renovation of the high school. The bonds include serial and capital appreciation bonds, in the original amount of \$22,105,000 and \$104,848, respectively. The bonds were issued for a nineteen year period, with final maturity on December 1, 2035. The bonds are being retired from the bond retirement fund.

The serial bonds maturing after December 1, 2016, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 1, 2016, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The serial bonds bear interest rates ranging from 1.00% to 4.00%.

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2020 and 2021. The maturity amount of the capital appreciation bonds is \$2,250,000, of which \$2,245,106 represents interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2016 is \$14,985.

The issuance proceeds of \$25,133,439 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunding was undertaken to reduce the total debt service payments over the next 20 years by \$1,137,971. This refunded debt is considered defeased (in-substance). At June 30, 2016, \$22,210,000 of defeased debt was outstanding.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Series 2008 School Improvement Bonds: On April 3, 2008, the District issued \$24,750,000 in voted school improvement general obligation bonds for construction of two new elementary schools, an addition to the middle school, and renovation of the high school. The bonds include serial, term, and capital appreciation bonds, in the original amount of \$12,705,000, \$11,800,000, and \$245,000, respectively. The bonds were issued for a twenty-eight year period, with final maturity on December 1, 2035. The bonds are being retired from the bond retirement fund.

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2017 through 2019. The maturity amount of the capital appreciation bonds is \$1,840,000, of which \$1,595,000 represents interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2016 is \$1,066,127.

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$14,585,285 (including available funds of \$1,930,263) and an unvoted debt margin of \$388,999.

Principal and interest requirements to retire debt obligations as of June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Series 2008 School Improvement Bonds	
	Capital Appreciation Bonds	
	Principal	Interest
2017	\$ 80,000	\$ 390,000
2018	65,000	425,000
2019	<u>100,000</u>	<u>780,000</u>
Total	<u>\$ 245,000</u>	<u>\$ 1,595,000</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	Series 2015 School Improvement Refunding Bonds					
	Current Interest Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 235,000	\$ 741,013	\$ -	\$ -	\$ 235,000	\$ 741,013
2018	235,000	738,075	-	-	235,000	738,075
2019	240,000	733,912	-	-	240,000	733,912
2020	-	731,512	2,880	1,122,120	2,880	1,853,632
2021	-	731,512	2,014	1,122,986	2,014	1,854,498
2022 - 2026	5,930,000	3,258,662	-	-	5,930,000	3,258,662
2027 - 2031	6,960,000	2,198,118	-	-	6,960,000	2,198,118
2032 - 2036	8,505,000	762,702	-	-	8,505,000	762,702
Total	<u>\$ 22,105,000</u>	<u>\$ 9,895,506</u>	<u>\$ 4,894</u>	<u>\$ 2,245,106</u>	<u>\$ 22,109,894</u>	<u>\$ 12,140,612</u>

NOTE 9 - RISK MANAGEMENT

A. Liability Insurance Coverage

The 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 2016, the District contracted with the Ohio School Plan (See Note 9.B) for the following insurance coverage:

<u>Type of Coverage</u>	<u>Liability Limit</u>
Property damage	\$ 117,746,025
General liability:	
Per occurrence	5,000,000
Aggregate limit	7,000,000
Automobile liability	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

B. Ohio School Plan

The District is a member of the Ohio School Plan, an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Ohio School Plan is deemed a separate legal entity. The Ohio School Plan provides property, general liability, educator's legal liability, automobile and violence coverages, modified for each member's needs. The Ohio School Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - RISK MANAGEMENT - (Continued)

The Ohio School Plan issues its own policies and reinsures the School Plan with reinsurances carriers. Only if the Ohio School Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Ohio School Plan contribute to paid claims. (See the Ohio School Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Ohio School Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015, 2014 and 2013:

	<u>2015</u>		<u>2014</u>		<u>2013</u>
Assets	\$ 9,313,853	\$	7,974,679	\$	6,841,599
Liabilities	3,956,512		2,780,801		4,052,930
Members' Equity	5,357,341		5,193,878		2,788,669

You can read the complete audited financial statements for The Ohio School Plan at its website, www.ohioschoolplan.org under "*Financials*". Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

C. Ohio School Boards Association Workers' Compensation Group Rating Plan

For fiscal year 2016, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the Plan.

NOTE 10 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - CONTINGENCIES - (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts had to comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. Based on information available, Foundation funding adjustments are not expected to be material to the District.

NOTE 11 - PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was \$432,557 for fiscal year 2016.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 - PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement 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 year of service on August 1, 2026.

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

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$1,523,229 for fiscal year 2016.

Net Pension Liability

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

	SERS	STRS Ohio	Total
Proportionate share of the net pension liability	\$ 5,596,352	\$ 27,695,757	\$ 33,292,109
Proportion of the net pension liability	0.09807670%	0.10021233%	

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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - PENSION PLANS - (Continued)

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

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

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

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

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

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 7,760,129	\$ 5,596,352	\$ 3,774,273

Actuarial Assumptions - STRS Ohio

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

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

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's 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:

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - PENSION PLANS - (Continued)

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 38,471,495	\$ 27,695,757	\$ 18,583,263

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

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

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$47,250, \$77,653, and \$47,259, respectively. 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System of Ohio

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$104,720, respectively; 100 percent has been contributed for fiscal year 2014.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. The superintendent earns twenty days of vacation per year and the treasurer earns fifteen days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent, and the treasurer 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 two hundred fifty days for certified employees and up to a maximum of two hundred thirty days for classified employees. Upon retirement, for certified employees, payment is made for 22 percent of accrued but unused sick leave, and for classified employees, payment is made for 25 percent of their accrued but unused sick leave, up to a maximum of fifty-seven and one-half days.

B. Employee Insurance Benefits

The District offers health and dental insurance to most employees through Anthem Blue Cross/Blue Shield. Life insurance is offered through Anthem Life Insurance. Vision insurance is offered through Vision Service Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

C. Separation Benefits

The District provides a separation benefit to eligible employees. In order to be eligible, the employee: 1) must have ten or more years of service with the District as a member of the bargaining unit, five of which must be consecutive and in paid status immediately prior to retirement; and 2) must give written notice to the Superintendent by no later than March 1 of the year he/she first becomes eligible for full retirement. Employees meeting the requirements and with thirty years of service shall receive an amount equal to one and one-third days severance pay for each year of service to the District, not to exceed forty days. Employees meeting the requirements and with twenty-five years of service shall receive an amount equal to one day severance pay for each year of service to the District, not to exceed twenty-five days. The District will pay the incentive to qualifying bargaining unit members in one lump sum payment. Such payment shall be made no later than twelve months following the effective date of separation.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statements of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund and the classroom facilities maintenance fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budgetary basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budgetary basis to the cash basis for the general fund is as follows:

Net Change in Fund Balance	
	General
Budget basis	\$ 4,104,470
Funds budgeted elsewhere	14,682
Adjustment for encumbrances	87,547
Cash basis	\$ 4,206,699

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the unclaimed monies fund, the public school support fund, the termination benefits fund and the adult education fund.

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 15 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	530,128
Current year qualifying disbursements	-
Current year offsets	<u>(530,128)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal year 2008, the District issued \$24,750,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$24,400,532 at June 30, 2016.

NOTE 16 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 87,547
Nonmajor governmental funds	<u>592,412</u>
Total	<u>\$ 679,959</u>

Wapakoneta City School District
Auglaize County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Identifying Number	Disbursements
U.S. Department of Agriculture:			
<i>Passed through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
<i>Non-Cash Assistance (Food Distribution):</i>			
National School Breakfast Program	10.553		\$ 24,635
National School Lunch Program	10.555		98,542
<i>Cash Assistance:</i>			
National School Breakfast Program	10.553		118,155
National School Lunch Program	10.555		563,558
Special Milk Program for Children	10.556		1,552
Summer Food Service Program	10.559		<u>10,140</u>
Total Nutrition Cluster			816,582
Team Nutrition Training Grants	10.574		<u>1,200</u>
Total US Department of Agriculture			<u>817,782</u>
U.S. Department of Education:			
<i>Passed through Ohio Department of Education:</i>			
Title I Grants to Local Education Agencies	84.010	S010A150035	416,221
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	H027A150111	599,115
Special Education Preschool Grants	84.173		<u>18,022</u>
Total Special Education Cluster			617,137
Improving Teacher Quality State Grants	84.367	S367A150034	<u>107,572</u>
Total U.S. Department of Education			<u>1,140,930</u>
Total Federal Assistance			<u>\$ 1,958,712</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

1. Basis of Presentation:

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

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. U.S. Department of Agriculture Programs:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2016 the District had no significant food commodities in inventory.

4. Matching Requirements:

Certain federal programs require the District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule.

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

Board of Education
Wapakoneta City School District
1102 Gardenia Drive
Wapakoneta, Ohio 45895

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wapakoneta City School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2016, wherein we noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

District Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 12, 2016

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

Board of Education
Wapakoneta City School District
1102 Gardenia Drive
Wapakoneta, Ohio 45895

Report on Compliance for Each Major Federal Program

We have audited the Wapakoneta City School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness the District's internal control over compliance.

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 12, 2016

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
 Noncompliance material to financial statements noted?	 Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
 Type of auditors’ report issued on compliance for major programs:	 Unmodified
 Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	 None noted
 Identification of major programs:	
<i>Nutrition Cluster:</i>	
CFDA 10.553 – National School Breakfast Program	
CFDA 10.555 – National School Lunch Program	
CFDA 10.556 – Special Milk Program for Children	
CFDA 10.559 – Summer Food Service Program for Children	
 Dollar threshold to distinguish between Type A and Type B programs:	 \$750,000
 Auditee qualified as low-risk auditee?	 No

Section II – Financial Statement Findings

2016-001: Reporting Annual Financial Statements

Condition: The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

Criteria: Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

Effect: Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

Cause: Due to current economic issues, the District elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Recommendation: We recommend the District further consider reporting its annual financial report in accordance with GAAP.

Management Response: Wapakoneta City Schools prepares an Other Comprehensive Basis of Accounting (OCBOA) report which incorporates the reporting format required by Government Accounting Standards Board Statement No. 34. An OCBOA report is accepted by the American Institute of Certified Public Accountants. Board Resolution number 118-03 gave the fiscal officer permission to prepare OCBOA statements because they are more cost beneficial.

Section III – Federal Awards Findings and Questioned Costs

None noted

Finding 2015-001: Report Annual Financial Statements

The District elected not to report on the GAAP basis of accounting as required under the Ohio Administrative Code Section 117-2-3(B).

Status: Uncorrected – See audit finding 2016-001.



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Dave Yost • Auditor of State

WAPAKONETA CITY SCHOOL DISTRICT

AUGLAIZE 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
FEBRUARY 21, 2017