

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

Basic Financial Statements – Cash Basis  
June 30, 2018  
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 Auditor's Report* of the Wapakoneta City School District, Auglaize County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. 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

November 6, 2018

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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, 2018, 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, 2018, the respective changes in cash financial position thereof, and the budgetary fund comparison for the General Fund for the year then ended in accordance with the accounting basis described in Note 2.

**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 October 5, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 5, 2018



**WAPAKONETA CITY SCHOOL DISTRICT**  
**AUGLAIZE COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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 2018 are as follows:

- The total cash-basis net position of the District increased \$3,248,748 or 14.99% from fiscal year 2017.
- General receipts accounted for \$30,239,537 or 83.54% of total governmental activities receipts. Program specific receipts accounted for \$5,957,219 or 16.46% of total governmental activities receipts.
- The District had \$32,948,008 in disbursements related to governmental activities; \$5,957,219 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts of \$30,239,537 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 and other financing sources of \$30,118,544 in 2018. The disbursements of the general fund totaled \$26,900,352. The general fund's balance increased \$3,218,192 or 19.52% from 2017 to 2018.
- The bond retirement fund had total receipts of \$2,064,179 in 2018. The disbursements of the bond retirement fund, totaled \$1,498,199 in 2018. The bond retirement fund's balance increased \$568,980 or 22.84% from 2017 to 2018.

**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 2018?" 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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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.

**WAPAKONETA CITY SCHOOL DISTRICT**  
**AUGLAIZE COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**The District as a Whole**

The table below provides a summary of the District's net position for 2018 and 2017.

	<b>Net Position (Cash Basis)</b>	
	Governmental Activities	Governmental Activities
	<u>2018</u>	<u>2017</u>
<u>Assets:</u>		
Equity in pooled cash and investments	\$ 24,927,127	\$ 21,678,379
Total assets	<u>\$ 24,927,127</u>	<u>\$ 21,678,379</u>
<u>Net Position:</u>		
Restricted	\$ 5,252,405	\$ 5,205,696
Unrestricted	<u>19,674,722</u>	<u>16,472,683</u>
Total net position	<u>\$ 24,927,127</u>	<u>\$ 21,678,379</u>

Total cash basis net position of the District increased \$3,248,748, which represents a 14.99% increase from the District's net position at June 30, 2017. A portion of the District's net position, \$5,252,405, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$19,674,722 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 2018 and 2017.

	<b>Change in Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2018</u>	<u>2017</u>
<u>Receipts:</u>		
Program receipts:		
Charges for services and sales	\$ 2,384,177	\$ 2,282,469
Operating grants and contributions	3,543,224	3,752,553
Capital grants and contributions	29,818	23,358
General receipts:		
Property taxes	9,084,288	8,954,980
Income taxes	3,413,698	3,298,994
Grants and entitlements	17,352,767	17,377,473
Investment earnings	334,786	183,367
Proceeds from lease purchase agreement	-	709,000
Miscellaneous	<u>53,998</u>	<u>48,764</u>
Total receipts	<u>36,196,756</u>	<u>36,630,958</u>

**WAPAKONETA CITY SCHOOL DISTRICT**  
**AUGLAIZE COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Change in Net Position - (Continued)</b>	
	Governmental Activities 2018	Governmental Activities 2017
	<u>2018</u>	<u>2017</u>
<b><u>Disbursements:</u></b>		
Instruction:		
Regular	\$ 14,644,832	\$ 14,392,230
Special	3,423,430	3,271,333
Vocational	404,758	433,038
Adult/continuing	450	900
Other	158,987	84,411
Support services:		
Pupil	1,769,456	1,602,582
Instructional staff	1,094,280	1,144,656
Board of education	17,139	18,889
Administration	2,120,334	1,999,572
Fiscal	524,242	515,253
Business	5,416	5,571
Operations and maintenance	2,633,399	2,623,878
Pupil transportation	1,391,733	1,141,875
Central	183,218	143,405
Operation of non-instructional services:		
Food service operations	1,295,788	1,247,862
Other non-instructional services	24,451	21,588
Extracurricular activities	774,554	1,022,559
Facilities acquisition and construction	906,461	997,694
Debt service:		
Principal retirement	392,921	315,000
Interest and fiscal charges	757,159	1,131,013
Accretion on capital appreciation bonds	425,000	-
Total disbursements	<u>32,948,008</u>	<u>32,113,309</u>
Change in net position	3,248,748	4,517,649
Net position at beginning of year	<u>21,678,379</u>	<u>17,160,730</u>
Net position at end of year	<u>\$ 24,927,127</u>	<u>\$ 21,678,379</u>

**Governmental Activities**

Governmental cash assets increased by \$3,248,748 from June 30, 2017 to June 30, 2018; total governmental disbursements of \$32,948,008 were offset by program receipts of \$5,957,219 and general receipts of \$30,239,537. Program receipts supported 18.08% of the total governmental disbursements.

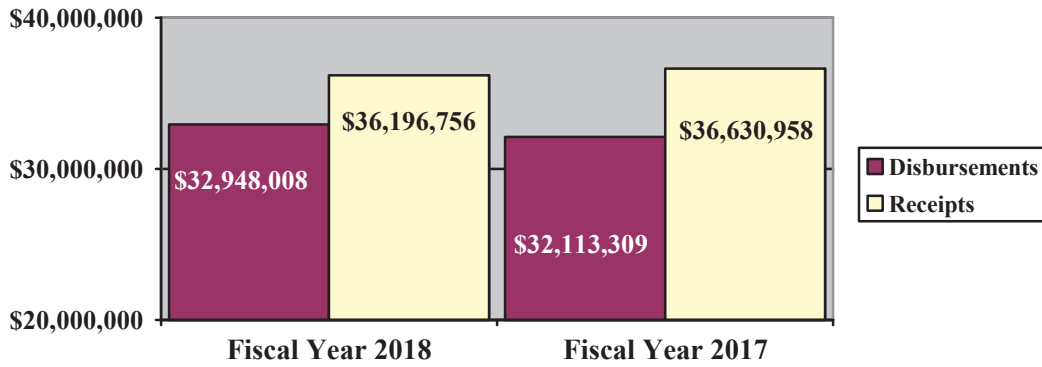
The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements receipts. These receipt sources represent 82.47% of total governmental receipts. Real estate property is reappraised every six years.

**WAPAKONETA CITY SCHOOL DISTRICT  
 AUGLAIZE COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$18,632,457 or 56.55% of total governmental disbursements for fiscal year 2018.

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2018 and 2017.

**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, 2018

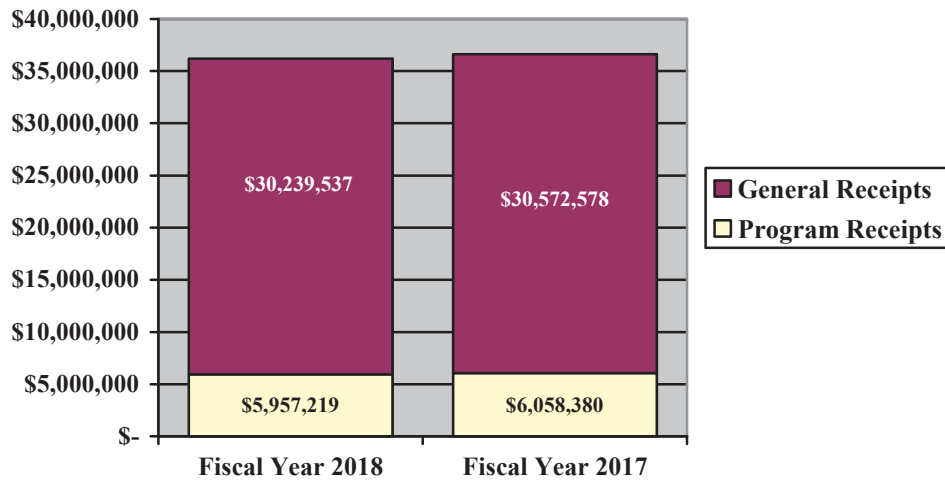
	<b>Governmental Activities</b>			
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>
<b>Disbursements:</b>				
Instruction:				
Regular	\$ 14,644,832	\$ 12,897,788	\$ 14,392,230	\$ 12,635,432
Special	3,423,430	1,242,668	3,271,333	1,047,303
Vocational	404,758	229,177	433,038	253,379
Adult/continuing	450	450	900	900
Other	158,987	158,537	84,411	84,411
Support services:				
Pupil	1,769,456	1,757,565	1,602,582	1,584,768
Instructional staff	1,094,280	1,072,785	1,144,656	1,079,778
Board of education	17,139	17,139	18,889	18,889
Administration	2,120,334	2,084,373	1,999,572	1,970,283
Fiscal	524,242	524,004	515,253	514,952
Business	5,416	5,416	5,571	5,571
Operations and maintenance of plant	2,633,399	2,570,035	2,623,878	2,552,204
Pupil transportation	1,391,733	1,345,584	1,141,875	1,105,423
Central	183,218	174,218	143,405	134,405
Operation of non-instructional services:				
Food service operations	1,295,788	(42,084)	1,247,862	(107,500)
Other non instructional services	24,451	23,849	21,588	21,382
Extracurricular	774,554	476,748	1,022,559	719,219
Facilities acquisition and construction	906,461	877,457	997,694	988,117
Debt service:				
Principal retirement	392,921	392,921	315,000	315,000
Interest and fiscal charges	757,159	757,159	1,131,013	1,131,013
Accretion on capital appreciation bonds	425,000	425,000	-	-
<b>Total</b>	<b><u>\$ 32,948,008</u></b>	<b><u>\$ 26,990,789</u></b>	<b><u>\$ 32,113,309</u></b>	<b><u>\$ 26,054,929</u></b>

The dependence upon general receipts for instructional activities is apparent, as 77.97% of disbursements were supported through taxes and other general receipts during 2018. For all governmental activities, general receipts support is 81.92%. 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, 2018**

The graph below presents the District's governmental activities receipts for fiscal year 2018 and 2017.

**Governmental Activities - General and Program Receipts**



**The District's Funds**

At June 30, 2018, the District's governmental funds reported a combined cash fund balance of \$24,927,127, which is \$3,248,748 more than last year's total of \$21,678,379. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)
<b>Major Funds:</b>			
General	\$ 19,702,110	\$ 16,483,918	\$ 3,218,192
Bond retirement fund	3,059,908	2,490,928	568,980
Other governmental funds	2,165,109	2,703,533	(538,424)
Total	<u>\$ 24,927,127</u>	<u>\$ 21,678,379</u>	<u>\$ 3,248,748</u>

**General Fund**

The general fund, the District's largest major fund, had total receipts and other financing sources of \$30,118,544 in 2018. The disbursements of the general fund totaled \$26,900,352. The general fund's balance increased \$3,218,192 or 19.52% from 2017 to 2018.

**WAPAKONETA CITY SCHOOL DISTRICT**  
**AUGLAIZE COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

	2018 Amount	2017 Amount	Percentage Change
<b><u>Receipts:</u></b>			
Taxes	\$ 9,555,068	\$ 9,373,881	1.93 %
Tuition	1,362,601	1,271,372	7.18 %
Earnings on investments	331,209	180,865	83.12 %
Other	205,530	223,905	(8.21) %
Intergovernmental	<u>18,648,018</u>	<u>18,691,025</u>	(0.23) %
Total	<u>\$ 30,102,426</u>	<u>\$ 29,741,048</u>	1.22 %

General fund tuition receipts increased \$91,229 or 7.18% during 2018 due to higher enrollment throughout the District. Interest receipts increased \$150,344 or 83.12% due to improved interest rates on the District's investments. All other receipt classifications remained comparable to 2017.

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

	2018 Amount	2017 Amount	Percentage Change
<b><u>Disbursements:</u></b>			
Instruction	\$ 17,322,679	\$ 16,739,283	3.49 %
Support services	9,060,965	8,587,025	5.52 %
Extracurricular	483,703	454,483	6.43 %
Facilities acquisition and construction	9,140	-	100.00 %
Other	<u>23,865</u>	<u>10,508</u>	127.11 %
Total	<u>\$ 26,900,352</u>	<u>\$ 25,791,299</u>	4.30 %

Disbursements remained comparable to 2017; overall, disbursements of the general fund increased 4.30% from the prior year.

***Bond Retirement Fund***

The bond retirement fund had total receipts of \$2,064,179 in 2018. The disbursements of the bond retirement fund, totaled \$1,495,199 in 2018. The bond retirement fund's balance increased \$568,980 or 22.84% from 2017 to 2018.

***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 \$30,172,934 were higher than final budgeted receipts and other financing sources by \$77,383. Final budgeted disbursements and other financing uses of \$28,181,665 were the same as the original budgeted disbursements and other financing uses. Actual disbursements and other financing uses of \$27,182,958 were \$998,707 lower than budgeted disbursements and other financing uses.



**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018, the District had \$23,278,345 in long-term obligations outstanding; of this amount, \$1,130,296 is due within one year. A summary of the District's long-term obligations outstanding at June 30, 2018 and 2017 follows:

	<u>Governmental Activities 2018</u>	<u>Governmental Activities 2017</u>
Lease purchase agreement	\$ 616,079	\$ 709,000
Series 2008 school improvement bonds:		
Capital appreciation (including accreted interest)	794,717	1,089,536
Series 2015 school improvement refunding bonds:		
Current interest	21,635,000	21,870,000
Capital appreciation (including accreted interest)	<u>232,549</u>	<u>67,804</u>
Total long-term obligations	<u>\$ 23,278,345</u>	<u>\$ 23,736,340</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 2018.

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 three-year contract with the Wapakoneta Education Association, effective July 1, 2017, which will result in a 3% increase in base wages for fiscal years 2018, 2019 and 2020. Step increases were granted in all three fiscal years.

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, 2018**

**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, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 24,927,127
Total assets. . . . .	\$ 24,927,127
 <b>Net position:</b>	
Restricted for:	
Capital projects . . . . .	\$ 896,679
Classroom facilities maintenance. . . . .	474,446
Debt service. . . . .	3,059,908
Locally funded programs . . . . .	14,968
Student activities. . . . .	133,177
Food service operation . . . . .	673,227
Unrestricted. . . . .	19,674,722
Total net position . . . . .	\$ 24,927,127

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, 2018

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 14,644,832	\$ 1,357,239	\$ 386,173	\$ 3,632	\$ (12,897,788)
Special . . . . .	3,423,430	131,410	2,049,352	-	(1,242,668)
Vocational . . . . .	404,758	-	175,581	-	(229,177)
Adult/continuing. . . . .	450	-	-	-	(450)
Other . . . . .	158,987	450	-	-	(158,537)
Support services:					
Pupil. . . . .	1,769,456	-	11,891	-	(1,757,565)
Instructional staff . . . . .	1,094,280	-	21,105	390	(1,072,785)
Board of education . . . . .	17,139	-	-	-	(17,139)
Administration. . . . .	2,120,334	13,432	22,529	-	(2,084,373)
Fiscal. . . . .	524,242	-	-	238	(524,004)
Business. . . . .	5,416	-	-	-	(5,416)
Operations and maintenance . . . . .	2,633,399	37,487	24,983	894	(2,570,035)
Pupil transportation. . . . .	1,391,733	7,051	36,666	2,432	(1,345,584)
Central . . . . .	183,218	-	9,000	-	(174,218)
Operation of non-instructional services:					
Food service operations . . . . .	1,295,788	598,217	739,655	-	42,084
Other non-instructional services . . . . .	24,451	23	579	-	(23,849)
Extracurricular activities. . . . .	774,554	238,868	58,757	181	(476,748)
Facilities acquisition and construction . . . . .	906,461	-	6,953	22,051	(877,457)
Debt service:					
Principal retirement. . . . .	392,921	-	-	-	(392,921)
Interest and fiscal charges. . . . .	757,159	-	-	-	(757,159)
Accretion on capital appreciation bonds. . . . .	425,000	-	-	-	(425,000)
<b>Total governmental activities . . . . .</b>	<b>\$ 32,948,008</b>	<b>\$ 2,384,177</b>	<b>\$ 3,543,224</b>	<b>\$ 29,818</b>	<b>(26,990,789)</b>
<b>General receipts:</b>					
Property taxes levied for:					
General purposes . . . . .					7,267,890
Debt service. . . . .					1,816,398
Income taxes levied for:					
General purposes . . . . .					2,287,178
Permanent improvement. . . . .					1,126,520
Grants and entitlements not restricted to specific programs . . . . .					17,352,767
Investment earnings . . . . .					334,786
Miscellaneous . . . . .					53,998
<b>Total general revenues . . . . .</b>					<b>30,239,537</b>
Change in net position . . . . .					3,248,748
<b>Net position at beginning of year . . . . .</b>					<b>21,678,379</b>
<b>Net position at end of year. . . . .</b>					<b>\$ 24,927,127</b>

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, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 19,700,697	\$ 3,059,908	\$ 2,165,109	\$ 24,925,714
Restricted cash and investments . . . . .	1,413	-	-	1,413
Total assets . . . . .	<u>\$ 19,702,110</u>	<u>\$ 3,059,908</u>	<u>\$ 2,165,109</u>	<u>\$ 24,927,127</u>
<b>Fund balances:</b>				
Nonspendable:				
Unclaimed monies. . . . .	\$ 1,413	\$ -	\$ -	\$ 1,413
Restricted:				
Debt service . . . . .	-	3,059,908	-	3,059,908
Capital improvements . . . . .	-	-	896,679	896,679
Classroom facilities maintenance . . . . .	-	-	474,446	474,446
Food service operations . . . . .	-	-	673,227	673,227
Other purposes. . . . .	-	-	14,968	14,968
Extracurricular activities . . . . .	-	-	133,177	133,177
Committed:				
Termination benefits. . . . .	308,438	-	-	308,438
Assigned:				
Student instruction . . . . .	41,986	-	-	41,986
Student and staff support. . . . .	67,129	-	-	67,129
Facilities acquisition and construction . . . . .	3,100	-	-	3,100
Unassigned (deficit). . . . .	19,280,044	-	(27,388)	19,252,656
Total fund balances . . . . .	<u>\$ 19,702,110</u>	<u>\$ 3,059,908</u>	<u>\$ 2,165,109</u>	<u>\$ 24,927,127</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, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 7,267,890	\$ 1,816,398	\$ -	\$ 9,084,288
Income taxes . . . . .	2,287,178	-	1,126,520	3,413,698
Tuition . . . . .	1,362,601	-	-	1,362,601
Transportation fees . . . . .	6,038	-	-	6,038
Earnings on investments . . . . .	331,209	-	4,465	335,674
Charges for services . . . . .	-	-	627,528	627,528
Extracurricular . . . . .	5,340	-	238,891	244,231
Classroom materials and fees . . . . .	126,494	-	-	126,494
Rental income . . . . .	17,281	-	-	17,281
Contributions and donations . . . . .	16,708	-	63,414	80,122
Other local revenues . . . . .	33,669	-	42,668	76,337
Intergovernmental - intermediate . . . . .	-	-	14,100	14,100
Intergovernmental - state . . . . .	18,615,623	247,781	114,911	18,978,315
Intergovernmental - federal . . . . .	32,395	-	1,797,654	1,830,049
Total receipts . . . . .	<u>30,102,426</u>	<u>2,064,179</u>	<u>4,030,151</u>	<u>36,196,756</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	14,009,279	-	635,553	14,644,832
Special . . . . .	2,749,205	-	674,225	3,423,430
Vocational . . . . .	404,758	-	-	404,758
Adult/continuing . . . . .	450	-	-	450
Other . . . . .	158,987	-	-	158,987
Support services:				
Pupil . . . . .	1,757,772	-	11,684	1,769,456
Instructional staff . . . . .	1,045,966	-	48,314	1,094,280
Board of education . . . . .	17,139	-	-	17,139
Administration . . . . .	2,097,912	-	22,422	2,120,334
Fiscal . . . . .	475,220	32,124	16,898	524,242
Business . . . . .	5,416	-	-	5,416
Operations and maintenance . . . . .	2,270,360	-	363,039	2,633,399
Pupil transportation . . . . .	1,216,962	-	174,771	1,391,733
Central . . . . .	174,218	-	9,000	183,218
Operation of non-instructional services:				
Food service operations . . . . .	-	-	1,295,788	1,295,788
Other non-instructional services . . . . .	23,865	-	586	24,451
Extracurricular activities . . . . .	483,703	-	290,851	774,554
Facilities acquisition and construction . . . . .	9,140	-	897,321	906,461
Debt service:				
Principal retirement . . . . .	-	300,000	92,921	392,921
Interest and fiscal charges . . . . .	-	738,075	19,084	757,159
Accretion on capital appreciation bonds . . . . .	-	425,000	-	425,000
Total disbursements . . . . .	<u>26,900,352</u>	<u>1,495,199</u>	<u>4,552,457</u>	<u>32,948,008</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>3,202,074</u>	<u>568,980</u>	<u>(522,306)</u>	<u>3,248,748</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	49,576	49,576
Transfers (out) . . . . .	-	-	(49,576)	(49,576)
Advances in . . . . .	16,118	-	-	16,118
Advances (out) . . . . .	-	-	(16,118)	(16,118)
Total other financing sources (uses) . . . . .	<u>16,118</u>	<u>-</u>	<u>(16,118)</u>	<u>-</u>
Net change in fund balances . . . . .	3,218,192	568,980	(538,424)	3,248,748
<b>Fund balances at beginning of year . . . . .</b>	<u>16,483,918</u>	<u>2,490,928</u>	<u>2,703,533</u>	<u>21,678,379</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 19,702,110</u>	<u>\$ 3,059,908</u>	<u>\$ 2,165,109</u>	<u>\$ 24,927,127</u>

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 7,065,796	\$ 7,265,061	\$ 7,267,890	\$ 2,829
Income taxes . . . . .	2,234,900	2,284,900	2,287,178	2,278
Tuition . . . . .	1,236,787	1,342,969	1,362,151	19,182
Transportation fees . . . . .	9,229	6,038	6,038	-
Earnings on investments . . . . .	163,500	313,500	331,209	17,709
Classroom materials and fees . . . . .	143,660	127,023	126,494	(529)
Rental income . . . . .	12,220	6,708	6,708	-
Contributions and donations . . . . .	1,090	2,681	8,296	5,615
Other local revenues . . . . .	40,187	40,015	44,242	4,227
Intergovernmental - state . . . . .	18,194,998	18,590,896	18,615,623	24,727
Intergovernmental - federal . . . . .	117,849	32,395	32,395	-
<b>Total receipts . . . . .</b>	<b>29,220,216</b>	<b>30,012,186</b>	<b>30,088,224</b>	<b>76,038</b>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	14,379,114	14,379,114	14,087,829	291,285
Special . . . . .	2,806,155	2,806,155	2,751,205	54,950
Vocational . . . . .	459,299	459,299	434,791	24,508
Other . . . . .	194,332	194,332	158,987	35,345
Support services:				
Pupil . . . . .	1,794,219	1,794,219	1,757,772	36,447
Instructional staff . . . . .	1,235,584	1,235,584	1,033,683	201,901
Board of education . . . . .	20,650	20,650	17,139	3,511
Administration . . . . .	2,103,970	2,103,970	2,081,225	22,745
Fiscal . . . . .	500,424	500,424	478,502	21,922
Business . . . . .	9,243	9,243	7,206	2,037
Operations and maintenance . . . . .	2,468,656	2,468,656	2,301,583	167,073
Pupil transportation . . . . .	1,272,387	1,272,387	1,204,010	68,377
Central . . . . .	196,485	196,485	174,218	22,267
Other non-instructional services . . . . .	26,790	26,790	23,865	2,925
Extracurricular activities . . . . .	503,150	503,150	483,703	19,447
Facilities acquisition and construction . . . . .	29,707	29,707	12,240	17,467
<b>Total disbursements . . . . .</b>	<b>28,000,165</b>	<b>28,000,165</b>	<b>27,007,958</b>	<b>992,207</b>
 Excess of receipts over disbursements . . . . .	 1,220,051	 2,012,021	 3,080,266	 1,068,245
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	52,090	65,734	67,704	1,970
Refund of prior year's receipts . . . . .	(6,500)	(6,500)	-	6,500
Transfers (out) . . . . .	(175,000)	(175,000)	(175,000)	-
Advances in . . . . .	5,500	16,118	16,118	-
Sale of capital assets . . . . .	1,513	1,513	888	(625)
<b>Total other financing sources (uses) . . . . .</b>	<b>(122,397)</b>	<b>(98,135)</b>	<b>(90,290)</b>	<b>7,845</b>
 Net change in fund balance . . . . .	 1,097,654	 1,913,886	 2,989,976	 1,076,090
 <b>Fund balance at beginning of year . . . . .</b>	 16,114,611	 16,114,611	 16,114,611	 -
<b>Prior year encumbrances appropriated . . . . .</b>	<b>175,456</b>	<b>175,456</b>	<b>175,456</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 17,387,721</b>	<b>\$ 18,203,953</b>	<b>\$ 19,280,043</b>	<b>\$ 1,076,090</b>

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, 2018

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 79,295
Total assets. . . . .	\$ 79,295
<b>Net position:</b>	
Held in trust for students . . . . .	\$ 73,714
Held in trust for others . . . . .	5,581
Total net position. . . . .	\$ 79,295

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, 2018**

**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 114 non-certified employees, 175 certified teaching personnel, and 13 administrators who provide services to 3,255 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, 2018

**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, Mercer, 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 2018, the District paid \$118,843 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, 2018**

**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.

*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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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 2018. 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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.

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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

During fiscal year 2018, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, money markets and negotiable certificates of deposit. With the exception of STAR Ohio, investments are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

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 2018 amounted to \$331,209, which included \$71,289 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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**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/Other Postemployment Benefits (OPEB)s**

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

**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.

**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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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.

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 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 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 12 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 7,119
Vocational education enhancement	225
Miscellaneous State grants	303
IDEA Part-B	17,610
Title I - disadvantaged children	2,131

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**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 2018, 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.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

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 \$225 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, 2018, the carrying amount of all District deposits was \$4,199,207 and the bank balance of all District deposits was \$4,772,729. Of the bank balance, \$1,266,523 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$3,506,206 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2018, certain District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS. Although 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, 2018, 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	\$ 10,949,383	\$ 10,949,383	\$ 10,949,383	\$ -	\$ -	\$ -	\$ -
FHLB	749,813	736,862	-	-	-	-	736,862
FHLMC	1,250,000	1,237,645	-	-	-	-	1,237,645
FNMA	1,090,000	1,064,978	-	-	-	-	1,064,978
Negotiable CD's	6,611,000	6,510,040	500,679	453,972	828,667	713,418	4,013,304
Money market	156,794	156,794	156,794	-	-	-	-
<b>Total</b>	<b>\$ 20,806,990</b>	<b>\$ 20,655,702</b>	<b>\$ 11,606,856</b>	<b>\$ 453,972</b>	<b>\$ 828,667</b>	<b>\$ 713,418</b>	<b>\$ 7,052,789</b>

The weighted average maturity of investments is 1.27 years.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* STAR Ohio and federal agency securities are rated AAAm and AA+ by Standard & Poor's, respectively. 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, 2018:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 10,949,383	52.63
FHLB	749,813	3.60
FHLMC	1,250,000	6.01
FNMA	1,090,000	5.24
Negotiable CD's	6,611,000	31.77
Money market	156,794	0.75
Total	<u>\$ 20,806,990</u>	<u>100.00</u>

**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, 2018:

<u>Cash and Investments per note</u>	
Carrying amount of deposits	\$ 4,199,207
Investments	20,806,990
Cash on hand	<u>225</u>
Total	<u>\$ 25,006,422</u>

<u>Cash and Investments per Statement of Net Position - Cash Basis</u>	
Governmental activities	\$ 24,927,127
Agency funds	<u>79,295</u>
Total	<u>\$ 25,006,422</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 382,554,620	95.51	\$ 384,711,050	95.79
Public utility personal	<u>17,971,990</u>	<u>4.49</u>	<u>16,908,230</u>	<u>4.21</u>
Total	<u>\$ 400,526,610</u>	<u>100.00</u>	<u>\$ 401,619,280</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$30.60		\$30.60	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

Transfers from nonmajor governmental funds to:

Nonmajor governmental funds	<u>\$ 49,576</u>
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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.

- B.** Advances for fiscal year ended June 30, 2018, as reported on the fund statements, consist of the following:

Advances to general fund from:

Nonmajor governmental funds	<u>\$ 16,118</u>
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These advances were made to repay advances made in the prior fiscal year. Interfund advances between governmental funds are eliminated on the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - LONG-TERM OBLIGATIONS**

The table that follows summarizes the changes in the District's long-term obligations during fiscal year 2018.

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
<b>Governmental Activities:</b>					
Lease purchase agreement	\$ 709,000	\$ -	\$ (92,921)	\$ 616,079	\$ 95,579
Series 2008 school improvement bonds:					
Capital appreciation bonds	165,000	-	(65,000)	100,000	100,000
Accreted interest on capital appreciation bonds	924,536	195,181	(425,000)	694,717	694,717
Series 2015 refunding bonds:					
Current interest bonds	21,870,000	-	(235,000)	21,635,000	240,000
Capital appreciation bonds	4,894	-	-	4,894	-
Accreted interest on capital appreciation bonds	62,910	164,745	-	227,655	-
<b>Total governmental activities</b>	<b>\$ 23,736,340</b>	<b>\$ 359,926</b>	<b>\$ (817,921)</b>	<b>\$ 23,278,345</b>	<b>\$ 1,130,296</b>

Lease-Purchase Agreement

During fiscal year 2017, the District entered into a lease-purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. for the purpose of funding building automation upgrades. The \$709,000 in proceeds are to be repaid over seven years with a final maturity of June 15, 2024. Principal and interest payments related to this lease-purchase agreement are made from the permanent improvement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the lease-purchase obligation at June 30, 2018 follows:

Fiscal Year Ending June 30,	Lease-Purchase Agreement		
	Principal	Interest	Total
2019	\$ 95,579	\$ 16,427	\$ 112,006
2020	98,313	13,693	112,006
2021	101,125	10,881	112,006
2022	104,017	7,989	112,006
2023	106,992	5,014	112,006
2024	110,053	1,953	112,006
<b>Total</b>	<b>\$ 616,079</b>	<b>\$ 55,957</b>	<b>\$ 672,036</b>

**WAPAKONETA CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

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, or any interest payment date on or after 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, 2018 is \$227,655.

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).

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 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, 2018 is \$694,717.

Principal and interest requirements to retire debt obligations as of June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Series 2008 School Improvement Bonds	
	Capital Appreciation Bonds	
	Principal	Interest
2019	\$ 100,000	\$ 780,000
Total	<u>\$ 100,000</u>	<u>\$ 780,000</u>

**WAPAKONETA CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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
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	1,120,000	718,912	-	-	1,120,000	718,912
2023	1,150,000	685,187	-	-	1,150,000	685,187
2024 - 2028	6,285,000	2,887,956	-	-	6,285,000	2,887,956
2029 - 2033	7,555,000	1,651,725	-	-	7,555,000	1,651,725
2034 - 2036	5,285,000	275,702	-	-	5,285,000	275,702
Total	<u>\$21,635,000</u>	<u>\$ 8,416,418</u>	<u>\$ 4,894</u>	<u>\$2,245,106</u>	<u>\$ 21,639,894</u>	<u>\$ 10,661,524</u>

*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, 2018, are a voted debt margin of \$17,465,749 (including available funds of \$3,059,908) and an unvoted debt margin of \$401,619.

**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 2018, 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	\$ 119,660,406
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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - RISK MANAGEMENT - (Continued)**

**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.

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, 2017, 2016 and 2015:

	2017	2016	2015
Assets	\$ 11,441,994	\$ 10,507,059	\$ 9,313,853
Liabilities	4,503,476	3,853,671	3,956,512
Members' Equity	6,938,518	6,653,388	5,357,341

You can read the complete audited financial statements for The Ohio School Plan at its website, [www.ohioschoolplan.org](http://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 2018, 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.

**WAPAKONETA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018, 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.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. For the 2017-2018 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, 2018 Foundation funding for the District; therefore, the financial statements impact is not determinable at his time.

**NOTE 11 - DEFINED BENEFIT 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - 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](http://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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$443,860 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 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 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,607,971 for fiscal year 2018.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.09647810%	0.10128050%	
Proportion of the net pension liability current measurement date	<u>0.09424750%</u>	<u>0.10118899%</u>	
Change in proportionate share	<u>-0.00223060%</u>	<u>-0.00009151%</u>	
Proportionate share of the net pension liability	\$ 5,631,080	\$ 24,037,661	\$ 29,668,741



**WAPAKONETA CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The target allocation and best estimates of arithmetic real rates of return for each major 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 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 7,814,476	\$ 5,631,080	\$ 3,802,041

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS Ohio*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**WAPAKONETA CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 34,457,170	\$ 24,037,661	\$ 15,260,788

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

***Plan Description - School Employees Retirement System (SERS)***

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$51,651.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$68,090 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Net OPEB Liability*

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.09554760%	0.10118899%	
Proportion of the net OPEB liability current measurement date	<u>0.09554760%</u>	<u>0.10118899%</u>	
Change in proportionate share	<u>0.00000000%</u>	<u>0.00000000%</u>	
Proportionate share of the net OPEB liability	\$ 2,564,247	\$ 3,948,021	\$ 6,512,268

*Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates* - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 3,096,654	\$ 2,564,247	\$ 2,142,444

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 2,080,694	\$ 2,564,247	\$ 3,204,237

***Actuarial Assumptions - STRS***

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 5,300,155	\$ 3,948,021	\$ 2,879,393
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,742,916	\$ 3,948,021	\$ 5,534,081

**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 and treasurer earn twenty 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 United Healthcare and Delta Dental, respectively. Life insurance is offered through Hartford Life and Accident. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)**

**C. Separation Benefits**

The District provides a retirement incentive to eligible employees. In order to be eligible, the employee must meet the criteria set forth by their respective bargaining unit.

Classified

In order to be eligible, the employee: 1) must have at least twenty five years of service credit, 2) ten or more years of service to the Wapakoneta City School as a member of this bargaining unit, five of which must be consecutive and in paid status immediately prior to retirement, and 3) must give written notice to the Superintendent by no later than March 1 of the year he/she first becomes eligible for "retirement" under SERS.

Employees meeting the requirements and with thirty years of service to the District 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 in the same calendar year in which the bargaining unit member retires.

Certified

In order to be eligible, the employee: 1) must be eligible to retire with unreduced benefits through STRS, 2) must have at least twenty years of service to the Wapakoneta City Schools, five of which must be consecutive and in paid status immediately prior to retirement, 3) must give written notice to the Superintendent no later than March 1 of the year he/she first becomes eligible for "retirement" under STRS. Retirement must be effective prior to the start of the succeeding school year.

Employees meeting the requirements shall receive Ten Thousand Dollars (\$10,000). Such payment shall be made no later than twelve months following the effective date of separation.

**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,

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (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:

	General
Budget basis	\$ 2,989,976
Funds budgeted elsewhere	135,965
Adjustment for encumbrances	92,251
Cash basis	\$ 3,218,192

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.

	Capital Improvements
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	552,895
Current year qualifying disbursements	(52,482)
Current year offsets	(500,413)
Total	\$ -
Balance carried forward to fiscal year 2019	\$ -
Set-aside balance June 30, 2018	\$ -

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 15 - SET-ASIDES - (Continued)**

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, 2018.

**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	\$ 92,251
Nonmajor governmental funds	<u>427,363</u>
Total	<u>\$ 519,614</u>

**NOTE 17 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

The City of Wapakoneta entered into a tax abatement agreement with Golden Fresh Farms for the abatement of property taxes and to bring jobs and economic development into the City. The agreement affects the property tax receipts collected and distributed to the District. Under the agreement, the District will forgo future property taxes in the amount of \$68,995 annually based on the effective millage rate in place at the time of the agreement.

**NOTE 18 - SUBSEQUENT EVENT**

On August 1, 2018, Aaron Rex became the District's Superintendent.



Wapakoneta City School District  
Auglaize County, Ohio  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2018

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Fiscal Year	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	2018		\$ 21,643
National School Lunch Program	10.555	2018		86,573
<i>Cash Assistance:</i>				
National School Breakfast Program	10.553	2018		128,636
National School Lunch Program	10.555	2018	182OH062N1099	612,042
Special Milk Program for Children	10.556	2018	182OH263N2533	1,086
Summer Food Service Program	10.559	2018		<u>10,643</u>
Total Nutrition Cluster				<u>860,623</u>
Total US Department of Agriculture				<u>860,623</u>
U.S. Department of Education:				
<i>Passed through Ohio Department of Education:</i>				
Title I Grants to Local Education Agencies	84.010	2018	S010A180035	317,495
<u>Special Education Cluster:</u>				
Special Education Grants to States	84.027	2018	H027A180111	616,379
		2017	H027A170111	1,276
Special Education Preschool Grants	84.173	2018	H173A180119	<u>20,669</u>
Total Special Education Cluster				638,324
Student Support and Academic Enrichment Program	84.365	2018	S365A180035	10,000
Supporting Effective Instruction State Grants	84.367	2018	S367A180034	<u>75,541</u>
Total U.S. Department of Education				<u>1,041,360</u>
Total Federal Assistance				<u>\$ 1,901,983</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, 2018. 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 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, 2018 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 2018, 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.

**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 2018-001.

**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  
October 5, 2018

## **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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each 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, 2018.

### **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 a 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  
October 5, 2018

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None 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
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Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted
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Identification of major programs:

*Nutrition Cluster:*

- 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
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Auditee qualified as low-risk auditee?	No
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## Section II – Financial Statement Findings

### 2018-001: 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



**Wapakoneta City  
Schools**

1102 Gardenia Drive  
Wapakoneta, OH 45895  
[www.wapak.org](http://www.wapak.org)



Aaron Rex, Superintendent  
Angela Sparks,  
Treasurer/CFO  
Mike Watt, Director of  
Operations  
**Phone:** 419-739-2900

**District's Schedule of Prior Audit Findings**

**Finding 2017-001: 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 2018-001.

**Wapakoneta City  
Schools**  
1102 Gardenia Drive  
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**District's Corrective Action Plan**

**Finding 2018-001:**      **Reporting Annual Financial Statements**

Contact Person:      Angela Sparks, Treasurer

Corrective Action:      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.

Completion Date:      The District will review the process annually, in conjunction with the preparation of the financial statements.



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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  
NOVEMBER 20, 2018