



Dave Yost • Auditor of State

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Wauseon Exempted Village School District
Fulton County
930 East Oak Street
Wauseon, Ohio 43567-2223

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2017, 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 15, 2018

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of the Wauseon Exempted Village School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The District's net position of governmental activities decreased \$348,743 which represents a 3.17% decrease from 2016.
- General revenues accounted for \$18,185,225 in revenue or 81.04% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,255,597 or 18.96% of total revenues of \$22,440,822.
- The District had \$22,789,565 in expenses related to governmental activities; only \$4,255,597 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,185,225 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$18,736,416 in revenues and other financing sources and \$18,228,626 in expenditures. During fiscal 2017, the general fund's fund balance increased \$507,790 from a balance of \$3,861,928 to \$4,369,718.
- The bond retirement fund had \$1,773,848 in revenues and \$1,910,159 in expenditures. During fiscal 2017, the bond retirement fund's fund balance decreased \$136,311 from \$3,064,880 to \$2,928,569.

Using the Basic Financial Statements

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the 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.

In the statement of net position and the statement of activities, 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 reports 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 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 year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 17,161,021	\$ 16,978,286
Capital assets, net	<u>46,707,422</u>	<u>47,444,095</u>
Total assets	<u>63,868,443</u>	<u>64,422,381</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	766,887	825,866
Pensions	<u>5,337,604</u>	<u>2,380,918</u>
Total deferred outflows of resources	<u>6,104,491</u>	<u>3,206,784</u>
<u>Liabilities</u>		
Current liabilities	2,297,265	2,215,021
Long-term liabilities:		
Due within one year	1,437,309	1,379,144
Due in more than one year:		
Net pension liability	29,487,066	24,047,623
Other amounts	<u>19,850,401</u>	<u>21,156,069</u>
Total liabilities	<u>53,072,041</u>	<u>48,797,857</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for next fiscal year	6,133,236	6,110,463
Pensions	<u>111,288</u>	<u>1,715,733</u>
Total deferred inflows of resources	<u>6,244,524</u>	<u>7,826,196</u>
<u>Net position</u>		
Net investment in capital assets	27,648,349	27,041,534
Restricted	4,017,716	4,538,752
Unrestricted (deficit)	<u>(21,009,696)</u>	<u>(20,575,174)</u>
Total net position	<u>\$ 10,656,369</u>	<u>\$ 11,005,112</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,656,369.

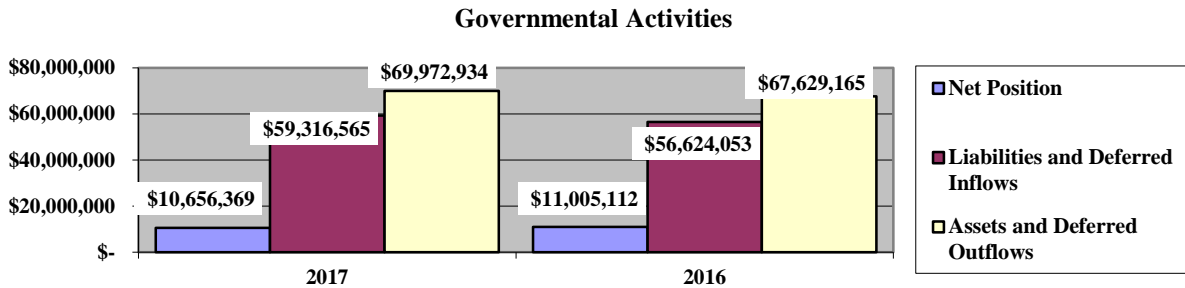
**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

At fiscal year-end, capital assets represented 73.13% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The District's net investment in capital assets at June 30, 2017, was \$27,648,349. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,017,716 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$21,009,696.

The graph below illustrates the District's governmental activities assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and net position at June 30, 2017 and 2016.



The table below shows the changes in net position for governmental activities between 2017 and 2016.

Change in Net Position

	Governmental Activities 2017	Governmental Activities 2016
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,581,855	\$ 1,573,828
Operating grants and contributions	2,673,742	2,513,531
General revenues:		
Property taxes	7,009,565	6,939,958
Grants and entitlements	10,888,919	10,213,763
Investment earnings	49,271	26,508
Gain on sale of capital assets	20,878	-
Other	216,592	132,473
Total revenues	22,440,822	21,400,061

- Continued

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Change in Net Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 8,837,323	\$ 7,864,480
Special	3,556,778	2,918,604
Vocational	312,755	264,623
Other	1,244,178	1,021,577
Support services:		
Pupil	707,632	644,891
Instructional staff	479,130	438,365
Board of education	37,809	40,902
Administration	1,573,317	1,343,635
Fiscal	616,570	478,354
Business	-	83,274
Operations and maintenance	1,939,570	1,587,019
Pupil transportation	827,075	750,401
Central	216,444	203,456
Operation of non-instructional services:		
Food service operations	886,761	845,964
Other non-instructional services	3,266	3,327
Extracurricular activities	904,847	740,686
Interest and fiscal charges	<u>646,110</u>	<u>651,155</u>
Total expenses	<u>22,789,565</u>	<u>19,880,713</u>
Change in net position	(348,743)	1,519,348
Net position at beginning of year	<u>11,005,112</u>	<u>9,485,764</u>
Net position at end of year	<u>\$ 10,656,369</u>	<u>\$ 11,005,112</u>

Governmental Activities

Net position of the District's governmental activities decreased \$348,743. Total governmental expenses of \$22,789,565 were offset by program revenues of \$4,255,597 and general revenues of \$18,185,225. Program revenues supported 18.67% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 79.76% of total governmental revenue.

Total revenues increased approximately \$1,000,000 from fiscal year 2016. The primary reason for this increase is due to an increase in State Foundation revenue.

Total expenses increased approximately \$2.9 million. The primary reason for this increase is wage and benefit increases and the increase in the District's net pension liability.

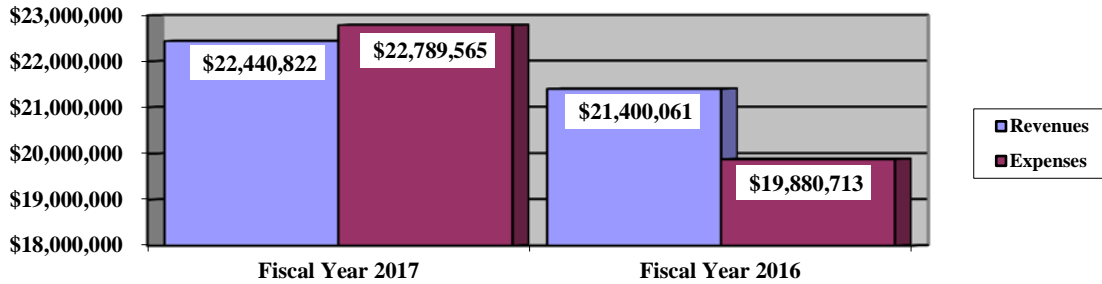
The largest expense of the District is for instructional programs. Instruction expenses totaled \$13,951,034 or 61.22% of total governmental expenses for fiscal year 2017.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2017 and 2016.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting 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 revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses				
Instruction:				
Regular	\$ 8,837,323	\$ 7,742,204	\$ 7,864,480	\$ 6,801,602
Special	3,556,778	1,653,829	2,918,604	1,109,128
Vocational	312,755	183,824	264,623	162,701
Other	1,244,178	1,158,750	1,021,577	934,972
Support services:				
Pupil	707,632	698,614	644,891	636,076
Instructional staff	479,130	479,130	438,365	438,365
Board of education	37,809	37,809	40,902	40,902
Administration	1,573,317	1,573,317	1,343,635	1,343,635
Fiscal	616,570	616,570	478,354	478,354
Business	-	-	83,274	83,274
Operations and maintenance	1,939,570	1,925,715	1,587,019	1,565,133
Pupil transportation	827,075	799,066	750,401	724,907
Central	216,444	209,244	203,456	196,256
Operation of non-instructional services:				
Food service operations	886,761	127,841	845,964	74,647
Other non-instructional services	3,266	(194)	3,327	(13)
Extracurricular activities	904,847	682,139	740,686	552,260
Interest and fiscal charges	646,110	646,110	651,155	651,155
Total expenses	<u>\$ 22,789,565</u>	<u>\$ 18,533,968</u>	<u>\$ 19,880,713</u>	<u>\$ 15,793,354</u>

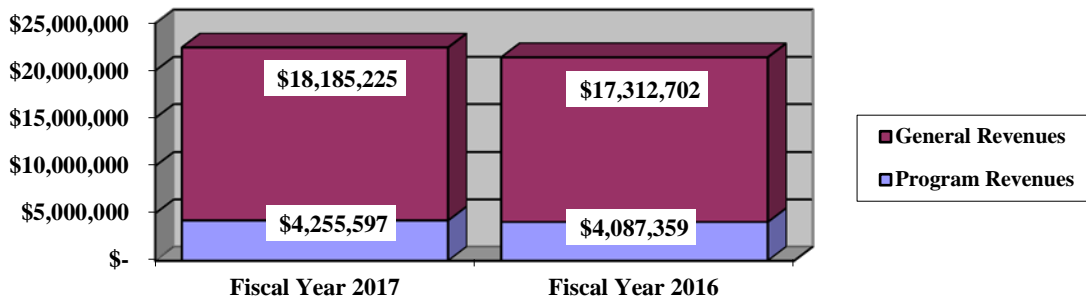
**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The dependence upon tax and other general revenues for governmental activities is apparent as 76.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.33%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$8,732,535, which is greater than last year's total of \$8,568,783. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 4,369,718	\$ 3,861,928	\$ 507,790
Bond retirement	2,928,569	3,064,880	(136,311)
Other governmental	<u>1,434,248</u>	<u>1,641,975</u>	<u>(207,727)</u>
Total	<u>\$ 8,732,535</u>	<u>\$ 8,568,783</u>	<u>\$ 163,752</u>

General Fund

The District's general fund's fund balance increased \$507,790. The increase in fund balance can be attributed to increasing revenues outpacing increasing expenditures.

The most significant increase in general fund revenues was in intergovernmental revenues. This was due to changes to the State Foundation funding formula which benefited the District.

Overall, expenditures increased 11.59%. The increase is due to wage and benefit increases and an increase in staff.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,310,266	\$ 5,266,306	0.83 %
Tuition	979,827	927,158	5.68 %
Earnings on investments	48,873	26,183	86.66 %
Intergovernmental	12,010,714	11,224,551	7.00 %
Other revenues	<u>315,779</u>	<u>251,359</u>	25.63 %
Total	<u>\$ 18,665,459</u>	<u>\$ 17,695,557</u>	5.48 %
<u>Expenditures</u>			
Instruction	\$ 12,061,119	\$ 10,831,609	11.35 %
Support services	5,607,418	5,029,252	11.50 %
Extracurricular activities	515,518	475,070	8.51 %
Facilities acquisition and construction	<u>44,571</u>	<u>-</u>	100.00 %
Total	<u>\$ 18,228,626</u>	<u>\$ 16,335,931</u>	11.59 %

Bond Retirement Fund

The bond retirement fund had \$1,773,848 in revenues and \$1,910,159 in expenditures. During fiscal 2017, the bond retirement fund's fund balance decreased \$136,311 from \$3,064,880 to \$2,928,569.

General Fund Budgeting Highlights

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.

During the course of fiscal year 2017, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources and final budgeted revenues and other financing sources were \$17,910,876. Actual revenues and other financing sources for fiscal year 2017 were \$18,581,158. This represents a \$670,282 increase from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,532,138 were increased to \$18,182,138 in the final budget. The increase was primarily a result of the District bringing back several staff positions that has been previously eliminated. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$18,151,053, which was \$31,085 less than the final budget appropriations.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$46,707,422 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2017 balances compared to 2016:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 739,233	\$ 789,312
Land improvements	1,434,094	1,528,456
Building and improvements	43,053,048	43,639,149
Furniture, fixtures and equipment	931,520	977,953
Vehicles	<u>549,527</u>	<u>509,225</u>
Total	<u>\$ 46,707,422</u>	<u>\$ 47,444,095</u>

Total additions to capital assets for 2017 were \$288,008. Total disposals to capital assets were \$50,079. The total depreciation expense for 2017 was \$974,602.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had \$18,910,297 in general obligation bonds outstanding. Of this total, \$1,355,000 is due within one year and \$17,555,297 is due in greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Fiscal Year End	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
General obligation bonds	<u>\$ 18,910,297</u>	<u>\$ 20,090,912</u>
Total	<u>\$ 18,910,297</u>	<u>\$ 20,090,912</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Current Financial Related Activities

The Wauseon Exempted Village School District resides in Fulton County, Northwest Ohio. Over the course of the past 34 years the Wauseon Exempted Village School District has returned to the community for additional operating revenue twice. In November 1991, the Wauseon community supported the needs of the District by approving an \$835,000 five-year emergency levy. The community has continued to support the educational needs of the District by renewing this levy five times in 1996, 2001, 2006, 2011 and 2016. In addition, the community passed an 8-year emergency levy in May 2011 for additional operating money in the amount of \$841,000.

The District realizes over 50% of its general operating funds from the State Foundation program. This amount had shown very little change in fiscal year(s) 2011-2013 due to changes in the funding formula as well as budget constraints at the State level. The level and approach for funding is addressed on a biennial basis at the State level. The loss of Federal Stimulus dollars as well as notification of the elimination of tangible personal property replacement money for Wauseon Schools created new financial challenges for the District in fiscal year 2012. HB59 was the funding mechanism effective for FY2104 and FY2015. Through the new funding formula calculation report referred to as the School Finance Payment Report (SFPR) the District realized an increase of approximately \$630,000 in FY2014, \$785,000 in FY2015, \$817,000 in FY2016, and \$693,000 in FY2017. Although there is an increase in funding, the Wauseon Board of Education and administrative team continue to evaluate the District's revenues and expenditures with careful thought, discussion and consideration to budgetary reductions. The students of the school district have been able to achieve positive results on the district report cards for many years. While significant academic goals were reached by the District, the 2017 Ohio School District Report Cards were lower for all districts than in previous reporting periods due to changes in the grading scale as modified by the Ohio Department of Education through Ohio Legislative changes. One strong area for the District was seen at the Middle School, which received straight A's in all of the value-added categories and received an ODE Momentum Award. Wauseon Middle School was only two to receive this recognition within Fulton County. The District will review specific areas for possible growth in our efforts to improve our total grade card for the 2017-2018 school year

The District voters approved a 6.99 mill bond issue to embark on an Ohio School Facilities Construction/Renovation project in November 2006. The passage of this bond issue provided \$18.8 million local dollars towards the overall \$43.5 million project. This project resulted in the construction of a new 3-8 building (Wauseon Elementary and Wauseon Middle Schools) that has been occupied since January 5, 2012. It is a truly beautiful facility that houses over 900 students. The renovation of Wauseon Primary School was completed in the summer of 2009. Extensive renovations were completed on Wauseon High School as well. A new athletic complex featuring a football/soccer field inside a brand new nine-lane all-weather track is now finished as well as the construction of a field house with student dressing rooms, public restrooms, a concession stand and a large storage area. The District closed out the project with the Ohio School Facilities Commission in June 2013. Remaining building funds will be used toward equipping classrooms with materials and technology. These funds cannot be used in any way toward offsetting the general operating costs of the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 David Fleming, Treasurer, Wauseon Exempted Village School District, 930 E. Oak Street, Wauseon, Ohio 43567.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 9,755,479
Receivables:	
Taxes	7,136,859
Accrued interest	2,222
Intergovernmental	222,910
Prepayments	21,542
Materials and supplies inventory.	19,390
Inventory held for resale.	2,619
Capital assets:	
Nondepreciable capital assets	739,233
Depreciable capital assets, net.	45,968,189
Capital assets, net.	46,707,422
Total assets.	63,868,443
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	766,887
Pension - STRS	4,246,999
Pension - SERS	1,090,605
Total deferred outflows of resources	6,104,491
 Liabilities:	
Accounts payable.	58,942
Accrued wages and benefits.	1,665,892
Intergovernmental payable	273,189
Pension and postemployment obligation payable.	253,427
Accrued interest payable	45,815
Long-term liabilities:	
Due within one year.	1,437,309
Due in more than one year:	
Net pension liability	29,487,066
Other amounts due in more than one year	19,850,401
Total liabilities	53,072,041
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	6,133,236
Pension - STRS.	85,160
Pension - SERS.	26,128
Total deferred inflows of resources	6,244,524
 Net position:	
Net investment in capital assets	27,648,349
Restricted for:	
Capital projects	581,565
Classroom facilities maintenance	623,024
Debt service.	2,596,635
Locally funded programs	207
Federally funded programs	11,824
Food service	166,389
Student activities	36,663
Other purposes	1,409
Unrestricted (deficit)	(21,009,696)
Total net position.	\$ 10,656,369

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction:				
Regular	\$ 8,837,323	\$ 1,044,531	\$ 50,588	\$ (7,742,204)
Special	3,556,778	-	1,902,949	(1,653,829)
Vocational	312,755	-	128,931	(183,824)
Other	1,244,178	-	85,428	(1,158,750)
Support services:				
Pupil.	707,632	-	9,018	(698,614)
Instructional staff	479,130	-	-	(479,130)
Board of education	37,809	-	-	(37,809)
Administration.	1,573,317	-	-	(1,573,317)
Fiscal	616,570	-	-	(616,570)
Operations and maintenance	1,939,570	13,855	-	(1,925,715)
Pupil transportation.	827,075	8,474	19,535	(799,066)
Central	216,444	-	7,200	(209,244)
Operation of non-instructional services:				
Food service operations.	886,761	345,180	413,740	(127,841)
Other non-instructional services	3,266	-	3,460	194
Extracurricular activities.	904,847	169,815	52,893	(682,139)
Interest and fiscal charges	646,110	-	-	(646,110)
Total governmental activities	<u>\$ 22,789,565</u>	<u>\$ 1,581,855</u>	<u>\$ 2,673,742</u>	<u>(18,533,968)</u>

General revenues:

Property taxes levied for:	
General purposes	5,277,324
Debt service.	1,489,179
Classroom facilities maintenance.	83,375
Permanent improvements	159,687
Grants and entitlements not restricted	
to specific programs	10,888,919
Investment earnings	49,271
Gain on sale of capital assets.	20,878
Miscellaneous.	216,592
Total general revenues.	<u>18,185,225</u>
Change in net position	(348,743)
Net position at beginning of year	<u>11,005,112</u>
Net position at end of year	<u>\$ 10,656,369</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 5,575,871	\$ 2,714,497	\$ 1,465,111	\$ 9,755,479
Receivables:				
Taxes.	5,349,311	1,544,553	242,995	7,136,859
Accrued interest	2,222	-	-	2,222
Intergovernmental.	99,161	-	123,749	222,910
Prepayments.	17,639	-	3,903	21,542
Materials and supplies inventory.	19,390	-	-	19,390
Inventory held for resale.	1,190	-	1,429	2,619
Due from other funds	39,420	-	-	39,420
Total assets	<u>\$ 11,104,204</u>	<u>\$ 4,259,050</u>	<u>\$ 1,837,187</u>	<u>\$ 17,200,441</u>
Liabilities:				
Accounts payable	\$ 55,345	\$ -	\$ 3,597	\$ 58,942
Accrued wages and benefits	1,556,414	-	109,478	1,665,892
Intergovernmental payable	269,222	-	3,967	273,189
Pension and postemployment obligation payable	238,960	-	14,467	253,427
Due to other funds	-	-	39,420	39,420
Total liabilities.	<u>2,119,941</u>	<u>-</u>	<u>170,929</u>	<u>2,290,870</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	4,598,793	1,326,286	208,157	6,133,236
Delinquent property tax revenue not available.	14,422	4,195	671	19,288
Intergovernmental revenue not available.	-	-	23,182	23,182
Accrued interest not available	1,330	-	-	1,330
Total deferred inflows of resources	<u>4,614,545</u>	<u>1,330,481</u>	<u>232,010</u>	<u>6,177,036</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	19,390	-	-	19,390
Prepays.	17,639	-	3,903	21,542
Restricted:				
Debt service	-	2,928,569	-	2,928,569
Capital improvements	-	-	581,125	581,125
Classroom facilities maintenance	-	-	622,793	622,793
Food service operations	-	-	191,928	191,928
Extracurricular.	-	-	36,643	36,643
Other purposes.	-	-	1,616	1,616
Committed:				
Other purposes.	11,000	-	-	11,000
Assigned:				
Student instruction	33,742	-	-	33,742
Student and staff support.	120,063	-	-	120,063
Subsequent year's appropriations	528,722	-	-	528,722
Other purposes.	2,608	-	-	2,608
Unassigned (deficit)	<u>3,636,554</u>	<u>-</u>	<u>(3,760)</u>	<u>3,632,794</u>
Total fund balances	<u>4,369,718</u>	<u>2,928,569</u>	<u>1,434,248</u>	<u>8,732,535</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,104,204</u>	<u>\$ 4,259,050</u>	<u>\$ 1,837,187</u>	<u>\$ 17,200,441</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	8,732,535
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			46,707,422
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	19,288	
Accrued interest receivable		1,330	
Intergovernmental receivable		23,182	
Total		43,800	43,800
Unamortized premiums on bonds issued are not recognized in the funds.			(1,205,977)
Unamortized amounts on refundings are not recognized in the funds.			766,887
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(45,815)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - pension		5,337,604	
Deferred inflows - pension		(111,288)	
Net pension liability		(29,487,066)	
Total		(24,260,750)	(24,260,750)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(18,910,297)	
Compensated absences		(1,171,436)	
Total		(20,081,733)	(20,081,733)
Net position of governmental activities		\$	10,656,369

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 5,310,266	\$ 1,498,836	\$ 244,623	\$ 7,053,725
Tuition.	979,827	-	-	979,827
Transportation fees.	8,474	-	-	8,474
Earnings on investments	48,873	-	577	49,450
Charges for services	-	-	345,180	345,180
Extracurricular.	-	-	169,815	169,815
Classroom materials and fees	64,704	-	-	64,704
Other local revenues	242,601	-	52,359	294,960
Intergovernmental - intermediate	-	-	3,460	3,460
Intergovernmental - state	12,010,714	275,012	94,211	12,379,937
Intergovernmental - federal	-	-	1,160,533	1,160,533
Total revenues	<u>18,665,459</u>	<u>1,773,848</u>	<u>2,070,758</u>	<u>22,510,065</u>
Expenditures:				
Current:				
Instruction:				
Regular.	7,821,378	-	134,716	7,956,094
Special	2,814,215	-	562,916	3,377,131
Vocational	273,332	-	306	273,638
Other	1,152,194	-	85,261	1,237,455
Support services:				
Pupil	650,914	-	9,000	659,914
Instructional staff	395,517	-	-	395,517
Board of education	37,809	-	-	37,809
Administration	1,484,136	-	-	1,484,136
Fiscal	553,219	35,859	5,844	594,922
Operations and maintenance	1,514,741	-	305,960	1,820,701
Pupil transportation	762,817	-	91,808	854,625
Central	208,265	-	28,974	237,239
Operation of non-instructional services:				
Food service operations.	-	-	811,255	811,255
Other non-instructional services.	-	-	3,266	3,266
Extracurricular activities.	515,518	-	239,179	754,697
Facilities acquisition and construction.	44,571	-	-	44,571
Debt service:				
Principal retirement.	-	1,300,000	-	1,300,000
Interest and fiscal charges	-	574,300	-	574,300
Total expenditures	<u>18,228,626</u>	<u>1,910,159</u>	<u>2,278,485</u>	<u>22,417,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>436,833</u>	<u>(136,311)</u>	<u>(207,727)</u>	<u>92,795</u>
Other financing sources:				
Sale of capital assets	70,957	-	-	70,957
Total other financing sources	<u>70,957</u>	<u>-</u>	<u>-</u>	<u>70,957</u>
Net change in fund balances	507,790	(136,311)	(207,727)	163,752
Fund balances at beginning of year.	<u>3,861,928</u>	<u>3,064,880</u>	<u>1,641,975</u>	<u>8,568,783</u>
Fund balances at end of year.	<u>\$ 4,369,718</u>	<u>\$ 2,928,569</u>	<u>\$ 1,434,248</u>	<u>\$ 8,732,535</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	163,752
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 288,008	
Current year depreciation	<u>(974,602)</u>	
Total		(686,594)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(50,079)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(44,160)	
Earnings on investments	398	
Intergovernmental	<u>(46,359)</u>	
Total		(90,121)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,300,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	4,087	
Accreted interest on capital appreciation bonds	(119,385)	
Amortization of bond premiums	102,467	
Amortization of deferred charges	<u>(58,979)</u>	
Total		(71,810)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,398,338
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,276,650)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(35,579)</u>
Change in net position of governmental activities	\$	<u><u>(348,743)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,247,574	\$ 5,247,574	\$ 5,308,309	\$ 60,735
Tuition	927,158	927,158	979,827	52,669
Transportation fees	10,644	10,644	8,335	(2,309)
Earnings on investments	19,675	19,675	53,186	33,511
Classroom materials and fees	8,833	8,833	11,925	3,092
Other local revenues	169,425	169,425	172,591	3,166
Intergovernmental - state	11,508,199	11,508,199	11,963,367	455,168
Total revenues	17,891,508	17,891,508	18,497,540	606,032
Expenditures:				
Current:				
Instruction:				
Regular	7,231,815	7,953,592	7,761,079	192,513
Special	2,386,543	2,624,734	2,778,345	(153,611)
Vocational	246,074	270,634	280,866	(10,232)
Other	1,160,500	1,276,324	1,163,263	113,061
Support services:				
Pupil	512,000	563,100	637,625	(74,525)
Instructional staff	366,834	403,446	395,635	7,811
Board of education	34,611	38,065	26,797	11,268
Administration	1,310,507	1,441,303	1,487,200	(45,897)
Fiscal	452,893	498,094	558,667	(60,573)
Operations and maintenance	1,401,234	1,541,085	1,499,058	42,027
Pupil transportation	743,821	818,058	796,786	21,272
Central	154,555	169,981	168,023	1,958
Extracurricular activities	430,342	473,292	501,651	(28,359)
Facilities acquisition and construction	40,922	45,006	44,571	435
Total expenditures	16,472,651	18,116,714	18,099,566	17,148
Excess (deficiency) of revenues over (under) expenditures	1,418,857	(225,206)	397,974	623,180
Other financing sources (uses):				
Refund of prior year's expenditures	18,520	18,520	12,661	(5,859)
Refund of prior year's receipts	(4,932)	(5,424)	-	5,424
Transfers (out)	(54,555)	(60,000)	(51,487)	8,513
Sale of capital assets	848	848	70,957	70,109
Total other financing sources (uses)	(40,119)	(46,056)	32,131	78,187
Net change in fund balance	1,378,738	(271,262)	430,105	701,367
Fund balance at beginning of year	4,888,605	4,888,605	4,888,605	-
Prior year encumbrances appropriated	92,609	92,609	92,609	-
Fund balance at end of year	\$ 6,359,952	\$ 4,709,952	\$ 5,411,319	\$ 701,367

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 374,968	\$ 164,350
Receivables:		
Accrued interest.	358	-
Total assets.	375,326	\$ 164,350
Liabilities:		
Accounts payable.	-	\$ 10,193
Due to others.	-	1,622
Due to students.	-	152,535
Total liabilities	-	\$ 164,350
Net position:		
Held in trust for scholarships	375,326	
Total net position.	\$ 375,326	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Interest	\$	1,245
Gifts and contributions		35,339
Total additions		<u>36,584</u>
 Deductions:		
Scholarships awarded		<u>29,148</u>
 Change in net position		7,436
 Net position at beginning of year		<u>367,890</u>
 Net position at end of year	\$	<u><u>375,326</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1865 through the consolidation of existing land areas and school districts. The District serves an area of approximately fifty-four square miles. It is located in Fulton County, and includes all of the City of Wauseon and portions of Clinton, Dover, and York Townships. It is staffed by 91 classified employees and 132 certified teaching personnel who provide services to 1,872 students and other community members. The District currently operates four instructional buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

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 an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. 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. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$208,810. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, Route 1, Box 245A, Archbold, Ohio 43502.

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., Box 456, Ashland, Ohio 44805.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

INSURANCE POOLS

Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The 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. Members of the Plan include public school districts, educational service centers, joint vocational schools, centers of government, boards of developmental disabilities and community colleges in the state of Ohio, which are eligible to participate under applicable statute, ruling, or law subject to certain underwriting standards as deemed appropriate by the Plan and its administrator.

Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

RELATED ORGANIZATION

Wauseon Public Library

The Wauseon Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Wauseon Exempted Village School District Board of Education. The Board of Trustees possesses its own budgeting and contracting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Wauseon Public Library, 117 East Elm Street, Wauseon, Ohio 43567.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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. The District does not have proprietary funds.

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. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows is reported as fund balance. 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 and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

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 and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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's trust fund is a private purpose trust which accounts for scholarship programs for students. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and Ohio High School Athletic Association (OHSAA) tournament money.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities 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 presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include 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. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

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.

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

The private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the fiscal year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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 fiscal 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 is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Fulton County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing 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 of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate of estimated resources issued during the fiscal year.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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 no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board of Education. 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 expenditures may not exceed the appropriation totals at the fund legal level of control. Any revisions that alter appropriations at the fund level 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, all supplemental appropriations were legally enacted.

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

F. Cash and Investments

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

During fiscal year 2017, investments were limited to federal agency securities, nonnegotiable certificates of deposit and a U.S. Government money market fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2017, the District also invested in STAR Ohio. 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 2017, 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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2017 amounts to \$48,873, which includes \$21,777 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 accounts at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method which means that the cost of inventory items are recorded as an expenditure in the governmental funds when consumed..

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000 for its general capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 40 years
Buildings and improvements	50 - 111 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	7 - 15 years

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Bond Premium and Discount/Accounting Gain or Loss

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized using the straight-line method, which approximates the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow on the government-wide financial statements.

A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

L. Fund Balance

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

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

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

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

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

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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The District applies restricted resources first when expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for a special revenue trust.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Interfund Activity

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

Interfund activities between governmental funds are eliminated in the statement of activities.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Q. Interfund Balances

Interfund loans that are used to cover negative cash balances are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities columns of the statement of net position.

R. Pensions

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

S. 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. The District had no extraordinary or special items in fiscal year 2017.

T. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 18); however, there was no effect on beginning net position/fund balance.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 1,444
Title I	2,179
IDEA handicapped preschool	137

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 resulted from adjustments for accrued liabilities.

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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At fiscal year end, the District had \$250 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, 2017, the carrying amount of all District deposits was \$2,167,026. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$1,799,174 of the District’s bank balance of \$2,391,952 was exposed to custodial risk as discussed below, while \$592,778 was covered by the FDIC.

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

C. Investments

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

Measurement/ Investment type	Measurement value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair value:						
FHLB	\$ 253,305	\$ -	\$ -	\$ -	\$ -	\$ 253,305
FHLMC	254,427	-	254,427	-	-	-
FNMA	378,473	124,842	-	124,487	129,144	-
FFCB	124,905	124,905	-	-	-	-
U.S. Government money market	6,147	6,147	-	-	-	-
Amortized cost:						
STAR Ohio	7,110,264	7,110,264	-	-	-	-
	<u>\$ 8,127,521</u>	<u>\$ 7,366,158</u>	<u>\$ 254,427</u>	<u>\$ 124,487</u>	<u>\$ 129,144</u>	<u>\$ 253,305</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is 0.15 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and U.S. Government money market mutual fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. 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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. 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, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement value</u>	<u>% of Total</u>
Fair value:		
FHLB	\$ 253,305	3.12
FHLMC	254,427	3.13
FNMA	378,473	4.66
FFCB	124,905	1.54
U.S. Government money market	6,147	0.07
Amortized cost:		
STAR Ohio	7,110,264	87.48
	<u>\$ 8,127,521</u>	<u>100.00</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Position

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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,167,026
Investments	8,127,521
Cash on hand	<u>250</u>
Total	<u>\$ 10,294,797</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 9,755,479
Private purpose trust fund	374,968
Agency fund	<u>164,350</u>
Total	<u>\$ 10,294,797</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances consisted of the following due to/from other funds at June 30, 2017, as reported on the fund statements:

<u>Due to the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 39,420</u>

The primary purpose of the interfund loans due to the general fund is to cover negative cash balances in the nonmajor governmental funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. The interfund balances will be repaid once the anticipated revenues are received.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements.

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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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 Fulton 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$736,096 in the general fund, \$214,072 in the bond retirement fund, \$22,390 in the permanent improvement fund, a nonmajor governmental fund and \$11,777 in the classroom facilities maintenance fund, a nonmajor governmental fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2016 was \$734,139 in the general fund, \$208,675 in the bond retirement fund, \$22,238 in the permanent improvement fund, a nonmajor governmental fund and \$11,722 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 189,686,550	95.34	\$ 190,901,060	94.75
Public utility personal	<u>9,264,150</u>	<u>4.66</u>	<u>10,581,220</u>	<u>5.25</u>
Total	<u>\$ 198,950,700</u>	<u>100.00</u>	<u>\$ 201,482,280</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.08		\$ 47.18	

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 7,136,859
Accrued interest	2,222
Intergovernmental	<u>222,910</u>
Total	<u>\$ 7,361,991</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 789,312	\$ -	\$ (50,079)	\$ 739,233
Total capital assets, not being depreciated	<u>789,312</u>	<u>-</u>	<u>(50,079)</u>	<u>739,233</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,609,875	25,745	-	2,635,620
Buildings and improvements	49,356,359	70,751	-	49,427,110
Furniture, fixtures and equipment	1,869,627	83,024	-	1,952,651
Vehicles	<u>1,595,948</u>	<u>108,488</u>	<u>-</u>	<u>1,704,436</u>
Total capital assets, being depreciated	<u>55,431,809</u>	<u>288,008</u>	<u>-</u>	<u>55,719,817</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,081,419)	(120,107)	-	(1,201,526)
Buildings and improvements	(5,717,210)	(656,852)	-	(6,374,062)
Furniture, fixtures and equipment	(891,674)	(129,457)	-	(1,021,131)
Vehicles	<u>(1,086,723)</u>	<u>(68,186)</u>	<u>-</u>	<u>(1,154,909)</u>
Total accumulated depreciation	<u>(8,777,026)</u>	<u>(974,602)</u>	<u>-</u>	<u>(9,751,628)</u>
Depreciable capital assets, net	<u>46,654,783</u>	<u>(686,594)</u>	<u>-</u>	<u>45,968,189</u>
Governmental activities capital assets, net	<u>\$ 47,444,095</u>	<u>\$ (686,594)</u>	<u>\$ (50,079)</u>	<u>\$ 46,707,422</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 448,738
Special	59,567
Vocational	24,982
<u>Support services:</u>	
Pupil	19,880
Instructional staff	36,419
Administration	56,918
Operations and maintenance	93,768
Pupil transportation	61,830
Extracurricular activities	123,377
Food service operations	49,123
Total depreciation expense	<u>\$ 974,602</u>

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS

A. Changes in the District's long-term obligations during fiscal year 2017 were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Classroom facilities and school improvement bonds - series 2007	\$ 2,815,000	\$ -	\$ (515,000)	\$ 2,300,000	\$ 540,000
Refunding bonds - series 2015:					
Current interest	8,145,000	-	(25,000)	8,120,000	30,000
Capital appreciation	634,996	-	-	634,996	-
Accreted interest	9,197	17,606	-	26,803	-
Refunding bonds - series 2014:					
Current interest	6,270,000	-	(760,000)	5,510,000	785,000
Capital appreciation	2,054,987	-	-	2,054,987	-
Accreted interest	<u>161,732</u>	<u>101,779</u>	<u>-</u>	<u>263,511</u>	<u>-</u>
Total general obligation bonds	<u>20,090,912</u>	<u>119,385</u>	<u>(1,300,000)</u>	<u>18,910,297</u>	<u>1,355,000</u>
<u>Other long-term obligations:</u>					
Net pension liability	24,047,623	5,439,443	-	29,487,066	-
Compensated absences	<u>1,135,857</u>	<u>79,000</u>	<u>(43,421)</u>	<u>1,171,436</u>	<u>82,309</u>
Total governmental activities long-term obligations	<u>\$ 45,274,392</u>	<u>\$ 5,637,828</u>	<u>\$ (1,343,421)</u>	49,568,799	<u>\$ 1,437,309</u>
				<u>1,205,977</u>	
				<u>\$ 50,774,776</u>	

Classroom Facilities and School Improvement Bonds - Series 2007 - On February 28, 2007, the District issued classroom facilities and school improvement bonds, in the amount of \$18,835,000, for constructing, adding to, renovating, remodeling, furnishing, equipping, and improving District buildings. The bond issue included serial and term bonds, in the amount of \$5,915,000 and \$12,920,000, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2035. The bonds will be retired through the bond retirement fund.

On September 24, 2014, the District issued \$9,029,987 (series 2014 advance refunding general obligation bonds) to advance refund the callable portion of the bonds. The refunded portions of the series 2007 bonds included portions of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

On November 19, 2015, the District issued \$8,779,996 (series 2015 advance refunding general obligation bonds) to advance refund the callable portion of the bonds. The refunded portions of the series 2007 bonds included portions of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Classroom Facilities and Improvement Refunding Bonds - Series 2014 - On September 24, 2014, the District issued general obligation bonds (series 2014 refunding bonds) to advance refund the series 2005 current interest general obligation bonds and portions of the series 2007 current interest general obligation bonds. The issuance proceeds of \$9,484,325, plus a \$100,907 contribution from the District's bond retirement fund, 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 refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The defeased debt was retired on June 1, 2017.

At June 30, 2017, the refunding issue is comprised of both current interest bonds, par value \$6,975,000, and capital appreciation bonds, par value \$2,054,987. The interest rate on the current interest bonds ranges from 2.00-3.00%. The capital appreciation bonds mature on December 1, 2021 (approximate initial offering yield to maturity 2.47%), and December 1, 2022 (approximate initial offering yield to maturity 2.77%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,900,000. The bonds will be retired through the bond retirement fund. A total of \$263,511 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2017.

The reacquisition price exceeded the net carrying amount of the old debt by \$323,006. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2025.

Classroom Facilities and Improvement Refunding Bonds - Series 2015 - On November 19, 2015, the District issued general obligation bonds (series 2015 refunding bonds) to advance refund a portion of the series 2007 current interest general obligation bonds. The issuance proceeds of \$9,457,084 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 refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The defeased debt was retired on June 1, 2017.

At June 30, 2017, the refunding issue is comprised of both current interest bonds, par value \$8,145,000, and capital appreciation bonds, par value \$634,996. The interest rate on the current interest bonds ranges from 2.00-4.00%. The capital appreciation bonds mature on December 1, 2026 (approximate initial offering yield to maturity 2.90%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$855,000. The bonds will be retired through the bond retirement fund. A total of \$26,803 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2017.

The reacquisition price exceeded the net carrying amount of the old debt by \$572,263. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2034.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences - Compensated absences will be paid from the fund the employee is paid, which is primarily the general fund and the food service fund, a nonmajor governmental fund.

Net pension liability - See Note 12 for detail on the District's net pension liability.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,355,000	\$ 526,900	\$ 1,881,900	\$ -	\$ -	\$ -
2019	1,400,000	484,375	1,884,375	-	-	-
2020	1,445,000	444,350	1,889,350	-	-	-
2021	1,495,000	399,800	1,894,800	-	-	-
2022	35,000	375,187	410,187	1,091,521	408,479	1,500,000
2023 - 2027	2,395,000	1,695,475	4,090,475	1,598,462	656,538	2,255,000
2028 - 2032	4,585,000	1,112,050	5,697,050	-	-	-
2033 - 2035	3,220,000	196,400	3,416,400	-	-	-
Total	<u>\$ 15,930,000</u>	<u>\$ 5,234,537</u>	<u>\$ 21,164,537</u>	<u>\$ 2,689,983</u>	<u>\$ 1,065,017</u>	<u>\$ 3,755,000</u>

B. 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, 2017, are a voted debt margin of \$2,441,991 (including available funds of \$2,928,569) and an unvoted debt margin of \$201,482.

NOTE 10 - RISK MANAGEMENT

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 2017, the District contracted for the following insurance coverage.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - RISK MANAGEMENT - (Continued)

Coverage provided by the Ohio School Plan is as follows:

General Liability	
General Aggregate Limit	\$5,000,000
Per Occurrence	3,000,000
Blanket Property (\$1,000 deductible)	66,173,207
Vehicle Liability	3,000,000
Uninsured/Underinsured Motorists	1,000,000

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.

For fiscal year 2017, the District participated in the Ohio School Plan (“the Plan”), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (“the Program”), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The District participates in the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan (“the Plan”), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers’ compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant 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 entities that can meet the Plan’s selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers’ compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eleven and twelve month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 248 days for classified employees and 250 days for certified employees. Upon retirement, payment is made for 26 percent of accrued, but unused sick leave credit for certified employees and 25 percent of accrued, but unused sick leave credit for classified employees.

B. Health Care Benefits

The District provides medical, dental, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$312,159 for fiscal year 2017. Of this amount, \$27,308 is reported as pension and postemployment obligation payable.

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FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, 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 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,086,179 for fiscal year 2017. Of this amount, \$190,676 is reported as pension and postemployment obligation payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.06594850%	0.07339611%	
Proportion of the net pension liability current measurement date	<u>0.06531900%</u>	<u>0.07380966%</u>	
Change in proportionate share	<u>-0.00062950%</u>	<u>0.00041355%</u>	
Proportionate share of the net pension liability	\$ 4,780,748	\$ 24,706,318	\$ 29,487,066
Pension expense	\$ 486,938	\$ 1,789,712	\$ 2,276,650

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 64,481	\$ 998,256	\$ 1,062,737
Net difference between projected and actual earnings on pension plan investments	394,341	2,051,288	2,445,629
Changes of assumptions	319,141	-	319,141
Difference between District contributions and proportionate share of contributions/ change in proportionate share	483	111,276	111,759
District contributions subsequent to the measurement date	<u>312,159</u>	<u>1,086,179</u>	<u>1,398,338</u>
Total deferred outflows of resources	<u>\$ 1,090,605</u>	<u>\$ 4,246,999</u>	<u>\$ 5,337,604</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	\$ 26,128	\$ 85,160	\$ 111,288
Total deferred inflows of resources	\$ 26,128	\$ 85,160	\$ 111,288

\$1,398,338 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$ 185,296	\$ 482,265	\$ 667,561
2019	185,011	482,265	667,276
2020	268,653	1,269,405	1,538,058
2021	113,358	841,725	955,083
Total	\$ 752,318	\$ 3,075,660	\$ 3,827,978

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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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:

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 6,329,413	\$ 4,780,748	\$ 3,484,452

Actuarial Assumptions - STRS

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investments expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 32,832,689	\$ 24,706,318	\$ 17,851,245

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the District's surcharge obligation was \$35,652.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$35,652, \$32,219, and \$49,654, respectively. The fiscal year 2017 amount has been reported as pension and postemployment obligation payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) 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 not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 430,105
Net adjustment for revenue accruals	115,141
Net adjustment for expenditure accruals	(149,724)
Net adjustment for other sources/uses	(12,161)
Funds budgeted elsewhere	(17,758)
Adjustment for encumbrances	142,187
GAAP basis	\$ 507,790

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the internal rotary fund, the public school support fund, the underground storage tank fund and the EMIS fund.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous Federal, State and local 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, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2017.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the 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, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue 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 fiscal 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. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal year 2007, the District issued \$18,835,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$18,824,475 at June 30, 2017.

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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	325,147
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(72,565)
Excess qualified expenditures from prior years	-
Current year offsets	(316,588)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (64,006)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u><u>\$ -</u></u>

NOTE 17 - OTHER COMMITMENTS

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

	<u>Fiscal Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 103,694
Other governmental	<u>45,058</u>
Total	<u><u>\$ 148,752</u></u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Wauseon and Fulton County provide tax abatements through Community Reinvestment Areas (CRAs).

Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The CRA agreements entered into by the City of Wauseon and Fulton County affect the property tax receipts collected and distributed to the District. Under these agreements, the District's property taxes were reduced by \$148,166.

NOTE 19 – SUBSEQUENT EVENTS

On December 28, 2017, the District issued \$1,760,000 in Classroom Facilities and School Improvement Refunding Bonds for the purpose of refunding a portion of the 2007 Classroom Facilities and School Improvement Bonds. The issue consists of serial bonds.

On January 8, 2018, the District awarded a bid to Rupp/Rosebrock, Inc. for the construction of a new Board office in the amount of \$1,277,812.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06531900%	0.06594850%	0.06593000%	0.06593000%
District's proportionate share of the net pension liability	\$ 4,780,748	\$ 3,763,085	\$ 3,336,680	\$ 3,920,645
District's covered-employee payroll	\$ 2,034,257	\$ 1,985,395	\$ 1,915,786	\$ 1,856,236
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.01%	189.54%	174.17%	211.21%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST FOUR FISCAL YEARS			
	2017	2016	2015	2014
District's proportion of the net pension liability	0.07380966%	0.07339611%	0.07395241%	0.07395241%
District's proportionate share of the net pension liability	\$ 24,706,318	\$ 20,284,538	\$ 17,987,785	\$ 21,426,932
District's covered-employee payroll	\$ 7,921,850	\$ 7,779,871	\$ 7,555,892	\$ 8,136,062
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	311.88%	260.73%	238.06%	263.36%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 312,159	\$ 284,796	\$ 261,675	\$ 265,528
Contributions in relation to the contractually required contribution	<u>(312,159)</u>	<u>(284,796)</u>	<u>(261,675)</u>	<u>(265,528)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,229,707	\$ 2,034,257	\$ 1,985,395	\$ 1,915,786
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 256,903	\$ 259,829	\$ 231,118	\$ 245,799	\$ 184,096	\$ 179,258
<u>(256,903)</u>	<u>(259,829)</u>	<u>(231,118)</u>	<u>(245,799)</u>	<u>(184,096)</u>	<u>(179,258)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,856,236	\$ 1,931,814	\$ 1,838,648	\$ 1,815,355	\$ 1,870,894	\$ 1,825,438
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,086,179	\$ 1,109,059	\$ 1,089,182	\$ 982,266
Contributions in relation to the contractually required contribution	<u>(1,086,179)</u>	<u>(1,109,059)</u>	<u>(1,089,182)</u>	<u>(982,266)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,758,421	\$ 7,921,850	\$ 7,779,871	\$ 7,555,892
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,057,688	\$ 1,140,542	\$ 1,093,368	\$ 1,057,788	\$ 1,066,828	\$ 1,037,592
<u>(1,057,688)</u>	<u>(1,140,542)</u>	<u>(1,093,368)</u>	<u>(1,057,788)</u>	<u>(1,066,828)</u>	<u>(1,037,592)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,136,062	\$ 8,773,400	\$ 8,410,523	\$ 8,136,831	\$ 8,206,369	\$ 7,981,477
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553		\$53,091
National School Lunch Program - Cash Assistance	10.555		302,606
Non-Cash Assistance (Food Distribution)			51,484
Total National School Lunch Program			<u>354,090</u>
Total Child Nutrition Cluster			<u>407,181</u>
Total U.S. Department of Agriculture			<u>407,181</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010		310,680
<u>Special Education Cluster (IDEA):</u>			
Special Education - Grants to States (IDEA, Part B)	84.027		317,291
Special Education - Preschool Grants (IDEA, Preschool)	84.173		7,207
Total Special Education Cluster (IDEA)			<u>324,498</u>
English Language Acquisition State Grants	84.365	\$8,324	8,324
Improving Teacher Quality State Grants	84.367		54,463
Total U.S. Department of Education		<u>8,324</u>	<u>697,965</u>
Total Expenditures of Federal Awards		<u>\$8,324</u>	<u>\$1,105,146</u>

The accompanying notes are an integral part of this schedule.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wauseon Exempted Village School District, Fulton County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2017. 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, or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 14
Special Education - Grants to States	84.027	18,618
Special Education - Preschool Grants	84.173	118

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Dave Yost • Auditor of State

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

Wauseon Exempted Village School District
Fulton County
930 East Oak Street
Wauseon, Ohio 43567-2223

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

District's 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. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 15, 2018



Dave Yost • Auditor of State

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

Wauseon Exempted Village School District
Fulton County
930 East Oak Street
Wauseon, Ohio 43567-2223

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in finding 2017-003 in the accompanying schedule of findings , the District did not comply with requirements regarding allowable costs/cost principles applicable to its CFDA 10.553 and 10.555 Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Wauseon Exempted Village School District, Fulton County, Ohio, complied, in all material respects with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2017-002. Our opinion on *the* major federal program is not modified with respect to this matter.

The District's response to our noncompliance findings are described in the accompanying schedule of findings and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance

that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2017-002 and 2017-003.

The District's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 15, 2018

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2017-001

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code § 5705.10(H) states that if a board of education of a school district disposes of real property under section 3313.41, 3313.411, or 3313.413 of the Revised Code, the proceeds from the sale shall be used for either of the following purposes:

- (1) The retirement of any debt that was incurred by the district with respect to that real property. Proceeds in excess of the funds necessary to retire that debt may be paid into the school district's capital and maintenance fund and used only to pay for the costs of non-operating capital expenses related to technology infrastructure and equipment to be used for instruction and assessment.
- (2) Payment into a special fund for the construction or acquisition of permanent improvements.

In 2017, the District sold the former middle school land for \$69,793. The proceeds from the sale were credited to the General fund. The property had no related outstanding debt. The District should have recorded these monies in a capital projects fund.

District officials were unaware of this requirement. On January 26, 2018, the District posted entries to the accounting system to correct this error.

The District should ensure all revenue is correctly posted to required fund as provided in Ohio Rev. Code § 5705.10.

Officials' Response:

See corrective action plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Reporting

Finding Number	2017-002
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555
Federal Award Identification Number / Year	2017
Federal Agency	U.S. Department of Education
Compliance Requirement	Other
Pass-Through Entity	Ohio Department of Education
Repeat Finding from Prior Audit?	No

Noncompliance Citation and Material Weakness

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. part 200**, except for 2 C.F.R. § 200.102(a) and 2 C.F.R. § 200.207(a). **2 C.F.R. §§ 200.508(b) and .510(b)** requires that the auditee prepare a schedule of expenditures of Federal awards (the Schedule) for the period covered by the auditee's financial statements. At a minimum, the schedule shall: list individual Federal programs by Federal agency, the name of the passthrough entity for Federal awards received as a subrecipient, provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available, and include the total amount provided to subrecipients from each Federal program.

The District did prepare the Schedule. However, expenditures in the amount of \$53,091 for the School Breakfast Program (CFDA #10.553) were incorrectly reported under the National School Lunch Program (CFDA #10.555) on the District's Schedule. In addition, National School Lunch Program commodities of \$51,484 were not included on the Schedule. As a result, expenditures for the Nutrition Cluster were understated by \$51,484.

Inaccurate completion of the Schedule could lead to inaccurate reporting of federal expenditures by the District. The District's schedule has been adjusted for these differences.

We recommend District officials make sure monitoring controls are operating effectively to properly manage, monitor, and account all federal funds on the District's Schedule of Expenditures of Federal Awards.

Officials' Response:

See corrective action plan.

Allowable Costs/Cost Principles

Finding Number	2017-003
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10,553 and National School Lunch Program – CFDA #10.555
Federal Award Number / Year	2017
Federal Agency	U.S. Department of Education
Compliance Requirement	Allowable Costs/Cost Principles
Pass-Through Entity	Ohio Department of Education
Repeat Finding from Prior Audit	No

Noncompliance Citation and Material Weakness and Questioned Cost

2 C.F.R. § 200.405 sets forth that a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost: (1) is incurred specifically for the Federal award, (2) benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods, and (3) is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

2 C.F.R. § 200.56 defines indirect facilities and administrative (F&A) costs as those incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

2 C.F.R. § 200.57 defines indirect cost rate proposal as the documentation prepared by a non-Federal entity to substantiate its request for the establishment of an indirect cost rate as described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals.

34 C.F.R. § 76.561(b) states each State educational agency, or Ohio Department of Education (ODE), shall approve an indirect cost rate for each local educational agency that requests one. These rates may be for periods longer than a year if rates are sufficiently stable to justify a longer period.

In 2017, utility costs comprising of electric, water, sewer, and natural gas costs in the total amount of \$40,130 were charged to the District's Child Nutrition Cluster grant. The District did not submit an indirect cost rate proposal to the Ohio Department of Education. Therefore, the utility costs would not qualify as an allowable cost to the Child Nutrition Cluster grant.

In order to ensure indirect utility costs qualify as allowable costs to the Child Nutrition Cluster grant, we recommend the District prepare and submit an indirect cost rate proposal for the utility costs to the Ohio Department of Education prior to charging utilities to the Child Nutrition Cluster grant.

Officials' Response:

See corrective action plan.



WAUSEON

Exempted Village Schools

930 Oak St.
Wauseon, OH 43567
Phone: 419-330-2009
Fax: 419-335-3978

Dave Fleming
CFO/Treasurer
dfleming@wauseonindians.org

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Management is aware and understands the importance of the information presented on the financial statements and will ensure that any sales of capital assets are identified and reported in the proper fund.	FY2018	Dave Fleming, CFO/Treasurer
2017-002	Management is aware and understands the importance of the information presented on the federal schedule and will ensure that federal funds will be accurately identified and reported.	FY2018	Dave Fleming, CFO/Treasurer
2017-003	Management discontinued charging utility costs to the Food Service Fund in November 2017.	FY2018	Dave Fleming, CFO/Treasurer



Dave Yost • Auditor of State

WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2018**