WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Wooster City School District
Wayne County
144 North Market Street
Wooster, Ohio 44691

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wooster City School District, Wayne 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of Wooster City School District, Wayne County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows 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

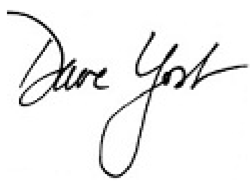
Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 January 9, 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.



Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2018

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The management's discussion and analysis of Wooster City 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 notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position increased $5,138,781. Net position of governmental activities increased $5,239,115 from 2016. Business-type activities net position decreased $100,334 from 2016.

- Governmental Activities general revenues accounted for $46,419,539 in revenue or 87.85% of total revenues. Program specific revenues in the form of charges for services and sales, operating/capital grants and contributions accounted for $6,422,648 or 12.15% of total revenues.

- Total revenues for fiscal year 2017 were $56,471,378. Of this total, $52,842,187 was reported in the governmental activities and $3,629,191 in the business-type activities.

- The District had $47,603,072 in expenses related to governmental activities; only $6,422,648 of these expenses was offset by program specific charges for services, operating/capital grants or contributions resulting in a net cost of $41,180,424 for the District. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $46,419,539 were adequate to provide for these programs.

- The District's major governmental funds are the general fund, the debt service fund, and the permanent improvement fund. The general fund had $45,495,359 in revenues and other financing sources and $46,385,180 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance decreased $889,821 from a balance of $33,661,463 to $32,771,642.

- The debt service fund had $3,624,398 in revenues and other financing sources and $3,456,879 in expenditures. During fiscal year 2017, the debt service fund's fund balance increased $167,519 from $2,087,263 to $2,254,782.

- The permanent improvement fund had $6,263,013 in revenues and other financing sources and $9,445,681 in expenditures. During fiscal year 2017, the permanent improvement fund's fund balance decreased $3,182,668 from $5,644,970 to $2,462,302 as the District performed construction/renovation projects at various facilities.

- The District's major enterprise fund is the education costs for outside entities fund. The education costs for outside entities fund had $1,655,454 in operating revenues, $1,867,266 in operating expenses, and $248,068 in nonoperating revenues. During fiscal year 2017, the education costs for outside entities fund's net position increased $36,256 from a deficit balance of $2,223,527 to a deficit balance of $2,187,271.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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, debt service fund, and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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 of resources, liabilities, deferred inflows of resources, 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 fund'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 District is divided into two distinct kinds of activities:

Governmental activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service, uniform school supplies, recreation center, education costs for outside entities, and before/after school child care are reported as business activities.

The District's statement of net position and statement of activities can be found on pages 21-23 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14 and the analysis of the District's enterprise funds begins on page 17. 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, permanent improvement fund and debt service fund. The District reports the education costs for outside entities fund as a major enterprise 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 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 financial statements. The basic governmental fund financial statements can be found on pages 24-28 of this report.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 32 and 33. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35-74.

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. The required supplementary information can be found on pages 76-82 of this report.

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 2017 and 2016.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 71,178,820	$ 75,496,877	$ 1,321,464	$ 1,255,693	$ 72,500,284	$ 76,752,570
Capital assets, net	48,260,201	40,098,495	1,395,451	1,448,514	49,655,652	41,547,009
Total assets	119,439,021	115,595,372	2,716,915	2,704,207	122,155,936	118,299,579
Deferred outflows						
Unamortized deferred charges	8,887	17,774	-	-	8,887	17,774
Pension	12,260,998	5,441,849	917,901	393,218	13,178,899	5,835,067
Total deferred outflows	12,269,885	5,459,623	917,901	393,218	13,187,786	5,852,841
Liabilities						
Current liabilities	6,848,101	5,585,495	411,895	414,949	7,259,996	6,000,444
Long-term liabilities						
Due within one year	4,023,026	4,042,231	32,883	42,324	4,055,909	4,084,555
Due in more than one year						
Net pension liability	66,221,444	53,970,543	4,587,841	3,831,812	70,809,285	57,802,355
Other amounts	3,996,565	6,995,426	265,392	259,368	4,261,957	7,254,794
Total liabilities	81,089,136	70,593,695	5,298,011	4,548,453	86,387,147	75,142,148
Deferred inflows						
Property taxes	25,369,596	26,793,807	-	-	25,369,596	26,793,807
Pension	410,902	4,067,336	140,051	251,884	550,953	4,319,220
Total deferred inflows	25,780,498	30,861,143	140,051	251,884	25,920,549	31,113,027
Net position						
Net investment in capital assets	44,181,015	34,066,661	1,395,451	1,448,514	45,576,466	35,515,175
Restricted	5,593,149	7,975,036	-	-	5,593,149	7,975,036
Unrestricted (deficit)	(24,934,892)	(22,441,540)	(3,198,697)	(3,151,426)	(28,133,589)	(25,592,966)
Total net position (deficit)	$ 24,839,272	$ 19,600,157	$ (1,803,246)	$ (1,702,912)	$ 23,036,026	$ 17,897,245

Net Pension Liability and Related Deferred Inflows and Deferred Outflows Related to Pension

The District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which has a significant impact on the 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.

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 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. In addition, the District has reported a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Net Position Analysis

During fiscal year 2017, capital assets, net increased as additions of $10,103,069 exceeded depreciation expense of $1,982,403 and disposals, net of $12,023. The District is currently performing various construction/renovation projects including an Edgewood Middle School building addition, Follis Field entrance facility, renovations to Cornerstone Early Elementary Center, and roof replacement projects. Current and other assets decreased primarily due to a decrease in equity in pooled cash and cash equivalents of $3,028,393 resulting from disbursements made for the construction/renovation projects.

Current liabilities increased primarily due to contracts and retainage payable related to construction projects. Long-term liabilities increased primarily due to an increase in the net pension liability partially offset by a decrease in other long-term liabilities in fiscal year 2017. In relation to its effect on net position, the impact of the increase in the net pension liability is partially offset by an increase in deferred outflows of resources related to pension and a decrease in deferred inflows of resources related to pension. These factors are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

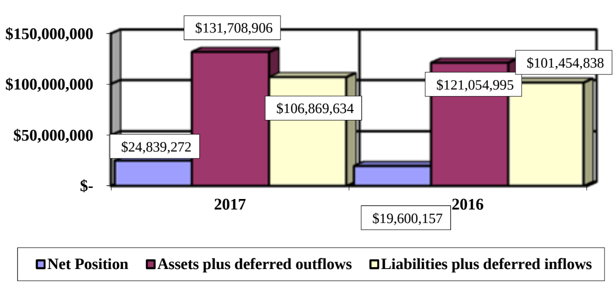
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $23,036,026. Of this total, $5,593,149 is restricted in use.

At year-end, capital assets represented 40.65% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and an ice arena. The net investment in capital assets at June 30, 2017, was $45,576,466. 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.

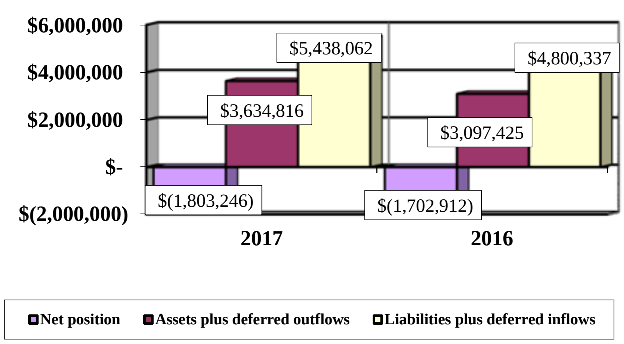
A portion of the District's net position, $5,593,149, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $28,133,589, which is primarily caused by the reporting of the net pension liability described on page 9.

The graphs below show the assets plus deferred outflows, liabilities plus deferred inflows and net position of the governmental activities and business-type activities at June 30, 2017 and 2016. (as restated – see Note 3C).

Governmental – Net Position



Business-Type – Net Position



The table on the next page shows the change in net position for fiscal years 2017 and 2016.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services and sales	$ 1,111,980	$ 1,089,834	$ 2,172,822	$ 2,137,751	$ 3,284,802	$ 3,227,585
Operating grants and contributions	4,655,663	4,569,355	1,432,951	1,583,647	6,088,614	6,153,002
Capital grants and contributions	655,005	346,000	-	-	655,005	346,000
General revenues:						
Property taxes	29,749,146	29,491,399	-	-	29,749,146	29,491,399
Grants and entitlements	16,194,559	17,327,398	-	-	16,194,559	17,327,398
Investment earnings	359,080	209,541	1,718	944	360,798	210,485
Other	116,754	74,079	21,700	38,643	138,454	112,722
Total revenues	52,842,187	53,107,606	3,629,191	3,760,985	56,471,378	56,868,591
Expenses						
Program expenses:						
Instruction:						
Regular	19,286,494	17,608,821	-	-	19,286,494	17,608,821
Special	7,039,755	6,435,526	-	-	7,039,755	6,435,526
Vocational	237,785	261,472	-	-	237,785	261,472
Other	3,018,702	2,715,764	-	-	3,018,702	2,715,764
Support services:						
Pupil	2,196,140	2,014,350	-	-	2,196,140	2,014,350
Instructional staff	1,290,902	914,088	-	-	1,290,902	914,088
Board of education	60,013	114,549	-	-	60,013	114,549
Administration	3,183,610	3,039,610	-	-	3,183,610	3,039,610
Fiscal	1,030,693	982,372	-	-	1,030,693	982,372
Business	179,524	157,933	-	-	179,524	157,933
Operations and maintenance	5,328,595	5,062,493	-	-	5,328,595	5,062,493
Pupil transportation	2,037,834	1,787,589	-	-	2,037,834	1,787,589
Central	619,278	519,859	-	-	619,278	519,859
Operation of non-instructional services	924,176	820,852	-	-	924,176	820,852
Extracurricular activities	863,838	783,194	-	-	863,838	783,194
Depreciation expense not included in other functions	90,356	90,358	-	-	90,356	90,358
Interest and fiscal charges	215,377	322,855	-	-	215,377	322,855
Food service	-	-	1,633,410	1,605,602	1,633,410	1,605,602
Uniform school supplies	-	-	5,912	9,310	5,912	9,310
Recreation Center	-	-	161,011	194,249	161,011	194,249
Education costs for outside entities	-	-	1,867,266	2,127,297	1,867,266	2,127,297
Before/after school child care	-	-	61,926	57,288	61,926	57,288
Total expenses	47,603,072	43,631,685	3,729,525	3,993,746	51,332,597	47,625,431
Transfers	-	(75,617)	-	75,617	-	-
Changes in net position	5,239,115	9,400,304	(100,334)	(157,144)	5,138,781	9,243,160
Net position (deficit) at beginning of year	19,600,157	10,199,853	(1,702,912)	(1,545,768)	17,897,245	8,654,085
Net position (deficit) at end of year	$ 24,839,272	$ 19,600,157	$ (1,803,246)	$ (1,702,912)	$ 23,036,026	$ 17,897,245

Governmental Activities

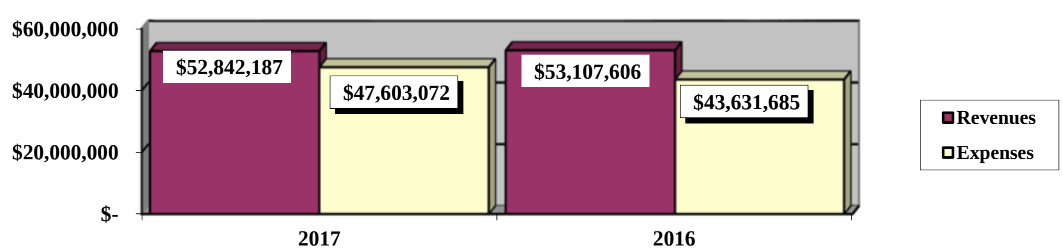
For fiscal year 2017, the net position of the District's governmental activities increased $5,239,115. Total governmental expenses of $47,603,072 were offset by program revenues of $6,422,648 and general revenues of $46,419,539. Program revenues supported 13.49% of the total governmental expenses. Program revenues increased $417,459 or 6.95% primarily due to the receipt of capital contributions received in fiscal year 2017 supporting athletic field upgrades, the Cornerstone PlayLab and the Boys and Girls Club at Edgewood Middle School.

General revenues decreased $682,878 primarily due to decreased Medicaid reimbursements and settlements received in fiscal year 2017 compared to fiscal year 2016. A substantial amount of Medicaid reimbursements were received in fiscal year 2016. Fiscal year 2017 general revenues are comparable to the fiscal year 2015 total.

Governmental activities expenses increased $3,971,387, or 9.10% from the prior year. Regular instruction expenses and special instruction expenses increased $1,677,673 and $604,229, respectively. These expenses increased due to increased personnel wages and benefit costs and increased pension expense related to the District's net pension liability. Operations and maintenance increased $266,102, due to costs associated with maintaining the District's assets.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 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 for 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

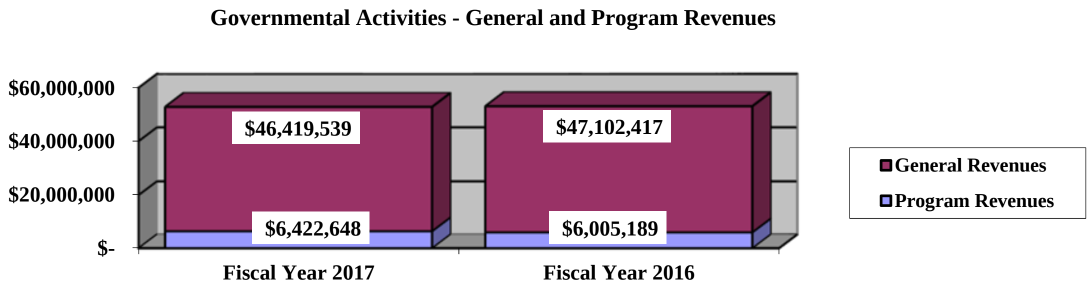
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses:				
Instruction:				
Regular	$ 19,286,494	$ 18,280,752	$ 17,608,821	$ 16,610,606
Special	7,039,755	4,018,847	6,435,526	3,188,513
Vocational	237,785	166,092	261,472	238,303
Other	3,018,702	2,996,166	2,715,764	2,680,895
Support services:				
Pupil	2,196,140	2,160,142	2,014,350	1,953,935
Instructional staff	1,290,902	762,757	914,088	659,841
Board of education	60,013	60,013	114,549	114,549
Administration	3,183,610	3,183,610	3,039,610	3,039,581
Fiscal	1,030,693	990,188	982,372	956,249
Business	179,524	179,524	157,933	157,933
Operations and maintenance	5,328,595	5,307,156	5,062,493	5,042,348
Pupil transportation	2,037,834	1,912,531	1,787,589	1,696,784
Central	619,278	608,478	519,859	509,059
Operation of non-instructional services	924,176	304,602	820,852	189,603
Extracurricular activities	863,838	(56,167)	783,194	175,084
Depreciation expense not included in other functions	90,356	90,356	90,358	90,358
Interest and fiscal charges	215,377	215,377	322,855	322,855
Total expenses	$ 47,603,072	$ 41,180,424	$ 43,631,685	$ 37,626,496

The net cost of services for extracurricular activities fluctuated as the District received $655,005 in capital contributions supporting the athletic field upgrades, the Cornerstone PlayLab and the Boys and Girls Club at Edgewood Middle School in fiscal year 2017.

The dependence upon tax revenues during fiscal year 2017 for governmental activities is apparent, as 86.07% of 2017 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.51%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, are the primary support for District's students.

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



Business-type Activities

Business-type activities include food service operation, uniform school supplies, recreation center, education costs for outside entities, and before/after school child care program. These programs had revenues of $3,629,191 and expenses of $3,729,525 for fiscal year 2017. Management reviews these programs to develop policies to allow these services to become self-supporting, exclusive of the impact of the reporting related to GASB 68 as previously discussed.

The District's largest business-type activities are food service and education costs for outside entities operations. Food service operations had $388,064 in charges for services and sales, $1,185,471 in operating grants and contributions and had total expenses of $1,633,410. Food service program revenues were not sufficient to support food service expenses by $59,875. Education costs for outside entities had $1,641,457 in charges for services and sales, $247,480 in operating grants and contributions and had total expenses of $1,867,266. Education costs for outside entities program revenues were sufficient to support expenses by $21,671.

The District's Funds

Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 24) reported a combined fund balance of $37,505,146, which is less than last year's fund total of $41,514,555.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Change
General	$ 32,771,642	$ 33,661,463	$ (889,821)
Debt service	2,254,782	2,087,263	167,519
Permanent Improvement	2,462,302	5,644,970	(3,182,668)
Other governmental	16,420	120,859	(104,439)
Total	$ 37,505,146	$ 41,514,555	$ (4,009,409)

General Fund

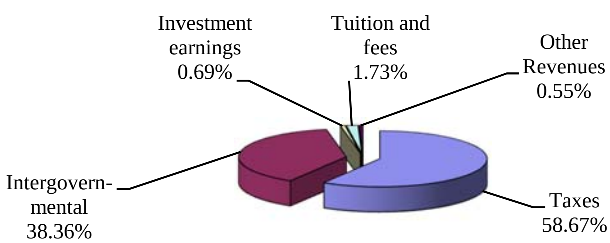
The District's general fund balance decreased $889,821. The table that follows assists in illustrating the revenues of the general fund.

	2017 Amount	2016 Amount	Increase (Decrease)	Percentage Change
Revenues				
Property and other taxes	$ 26,516,799	$ 26,003,945	$ 512,854	1.97 %
Intergovernmental	17,339,009	18,422,976	(1,083,967)	(5.88) %
Investment earnings	310,979	183,467	127,512	69.50 %
Tuition and fees	779,734	840,361	(60,627)	(7.21) %
Other revenues	251,244	204,336	46,908	22.96 %
Total	$ 45,197,765	$ 45,655,085	$ (457,320)	(1.00) %

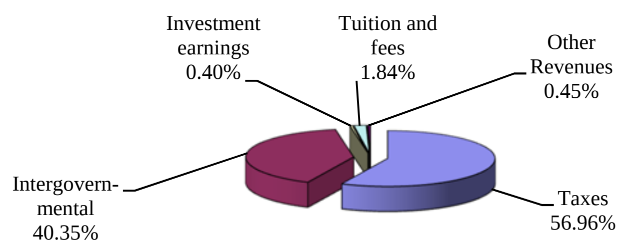
Property and other taxes revenue increased $512,854 primarily due to increased collections of taxes. Intergovernmental revenues decreased due to decreased Medicaid reimbursements and settlements. Investment earnings increased $127,512 or 69.50% due improved interest rates on investments. Tuition and fees revenues decreased $60,627 or 7.21% due to reduced open enrollment from the prior year. Other revenues increased $46,908 or 22.96% from fiscal year 2016 primarily due to an increase in miscellaneous revenues such as refunds, reimbursements and monies from other local sources.

The graphs below show the District's revenues, by source, for fiscal year 2017 and 2016:

Revenues – Fiscal Year 2017



Revenues – Fiscal Year 2016



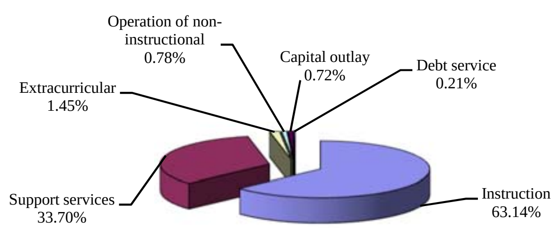
The table that follows assists in illustrating the expenditures of the general fund.

	2017 Amount	2016 Amount	Increase (Decrease)	Percentage Change
Expenditures				
Instruction	$ 25,984,410	$ 24,763,474	$ 1,220,936	4.93 %
Support services	13,867,290	12,938,647	928,643	7.18 %
Operation of non-instructional services	321,801	227,229	94,572	41.62 %
Extracurricular activities	597,294	551,990	45,304	8.21 %
Capital outaly	297,594	-	297,594	- %
Debt service	84,455	22,680	61,775	272.38 %
Total	$ 41,152,844	$ 38,504,020	$ 2,648,824	6.88 %

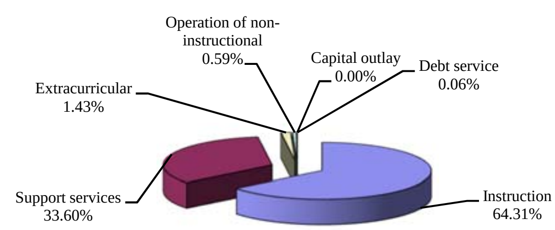
In total, expenditures increased 6.88% from 2016. Instruction expenditures increased primarily due to an increase in personnel wage and benefit costs. Capital outlay increased as the District entered into a capital lease obligation in fiscal year 2017. Debt service expense increased due to having a second capital lease obligation in fiscal year 2017. Operation of non-instructional services increased due to increased operating costs. All other expenditures remained consistent by dollar amount with fiscal year 2016.

The graphs below show the District's expenditures, by functional area, for fiscal year 2017 and 2016:

Expenditures – Fiscal Year 2017



Expenditures – Fiscal Year 2016



Debt Service Fund

The debt service fund had $3,624,398 in revenues and other financing sources and $3,456,879 in expenditures. During fiscal 2017, the debt service fund's fund balance increased $167,519 from $2,087,263 to $2,254,782.

Permanent Improvement Fund

The permanent improvement fund had $6,263,013 in revenues and other financing sources and $9,445,681 in expenditures. During fiscal 2017, the permanent improvement fund's fund balance decreased $3,182,668 from $5,644,970 to $2,462,302 as the District made expenditures related to various construction/renovation projects undertaken by the District.

Nonmajor Governmental Funds

The nonmajor governmental funds had $3,103,815 in revenues and $3,208,254 in expenditures. During fiscal 2017, the nonmajor governmental fund's fund balance decreased $104,439 from $120,859 to $16,420.

Enterprise Funds

The District's enterprise funds reported operating revenues of $2,194,298, operating expenses of $3,729,525 and nonoperating revenues of $1,434,893. Net position of the enterprise funds decreased $100,334 from a deficit of $1,702,912 to a deficit of $1,803,246. The enterprise funds reported an operating loss of $,1535,227. Nonoperating revenues of $1,434,893 were not sufficient to report a positive change in net position.

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.

For the general fund, the final budgeted revenue and other financing sources was $46,089,190. The original budgeted revenue and other financing sources was $44,503,286. Actual revenue and other financing sources was $46,124,747. The difference between the final budgeted revenues and other financing sources and the actual revenues and other financing sources was $35,557. The positive variance of $20,678 between actual and final budgeted property tax revenue was due to increased collections. The difference between the original and final budget of $1,585,904 was primarily due to anticipated increases in property taxes and state funding.

Total actual expenditures and other financing uses on the budget basis (cash outlays plus encumbrances) were $48,018,596. This amount was $1,510,520 less than the final budgeted amount (appropriations plus prior year encumbrances) primarily due to an overestimation of regular instruction expenditures. The final budgeted expenditures and other financing uses were increased $5,007,140 from the original budgeted amount. Overall, fund balance on the budget basis decreased $1,893,849 over the prior year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had $49,655,652 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and ice arena. Of this total, $48,260,201 was reported in governmental activities and $1,395,451 was reported in business-type activities.

The table below shows fiscal 2017 balances compared to 2016:

Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 2,354,412	$ 2,354,412	$ -	$ -	$ 2,354,412	$ 2,354,412
Construction in progress	7,547,005	2,254,755	-	-	7,547,005	2,254,755
Land improvements	2,058,445	1,146,892	-	-	2,058,445	1,146,892
Buildings and improvements	28,723,093	27,931,324	1,386,009	1,436,716	30,109,102	29,368,040
Furniture and equipment	2,672,068	1,787,542	9,442	11,798	2,681,510	1,799,340
Vehicles	1,833,068	1,461,104	-	-	1,833,068	1,461,104
Ice arena	3,072,110	3,162,466	-	-	3,072,110	3,162,466
Total	$ 48,260,201	$ 40,098,495	$ 1,395,451	$ 1,448,514	$ 49,655,652	$ 41,547,009

Overall capital assets, net of accumulated depreciation, increased $8,108,643 from fiscal year 2016 to fiscal year 2017. Capital outlays of $10,103,069 exceeded depreciation expense of $1,982,403 and disposals, net of $12,023 during the year. See Note 7 to the basic financial statements for more detail on the District's capital assets.

Debt Administration

At June 30, 2017, the District has $4,139,257 in long-term debt outstanding. Of this total, $3,442,349 is due within one year and $696,908 is due in greater than one year. The following table summarizes outstanding long-term debt:

Outstanding Debt, at Year End

Long Term Debt:	Governmental Activities 2017	Governmental Activities 2016
General obligation bonds	$ 530,002	$ 3,640,002
Capital appreciation bonds	1,955,000	1,955,000
Accreted interest on capital appreciation bonds	954,617	837,510
Energy conservation note payable	398,000	588,000
Capital leases	301,638	72,683
Total	$ 4,139,257	$ 7,093,195

Payments of principal and interest on the general obligation bonds and energy conservation note are made from the debt service fund. See Note 8 to the basic financial statements for more detail on the District's long-term obligations.

Current Financial Related Activities

The District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last levy request for general operating dollars was approved by the taxpayers in 2010.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home was reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills, and the owner would still pay $35.00.

Thus, the District's dependency upon property taxes is hampered by a lack of revenue growth and requires regular return to the voters to maintain a constant level of service. Property taxes made up 56.30% of revenues for governmental activities for the Wooster City Schools in fiscal year 2017.

The District has been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. During the summer of 2005, the Ohio legislature approved Ohio House Bill 66, which includes the phased-out elimination of the tangible personal property tax. This affected taxes on all business tangible property and public utility property (telephone companies and railroads) – roughly 20% of the District's general fund revenues. While this discontinued revenue continues to be partially reimbursed by the State of Ohio through fiscal year 2015 at a rate of $5.5 million to the General Fund, there continues to be uncertainty regarding future commitment of the state legislature to continue these payments to schools. Should this funding source be permanently discontinued, the loss of the remaining revenue would create a funding gap of approximately $5.5 million to the District's general fund.

In an effort to manage recent state revenue losses without requiring additional revenue from the local community, the District has made numerous rounds of budget reductions equivalent to the value of those funding losses. Such reductions included a building reconfiguration process in 2012 which closed 2 elementary buildings and resulted in greater utilization of capacity at Edgewood Middle School and the Wooster High School.

July 1, 2017 marked the effective date of the new biennial budget for the State of Ohio which includes provisions of state funding to public education. This state budget does provide for increased per pupil state funding to Wooster City Schools for fiscal years 2018 and 2019. However, an offsetting reduction to the tangible personal property tax reimbursement results in very little actual increase to the District over these next two years. Language is also present that will continue to phase out the district's tangible personal property reimbursement into future years with its ultimate elimination scheduled by 2026. The degree to which increases in future state per pupil aid might continue to offset these losses, as was the case in this biennium, is not known at this time.

Given these developments, the District continues to monitor the need to seek to seek new operating levy dollars at some point in the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact: Bonnie West, Treasurer, at Wooster City School District, 144 N. Market Street, Wooster, Ohio 44691.

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WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents. . .	$ 41,728,824	$ 426,727	$ 42,155,551
Receivables:			
Property taxes	27,851,089	-	27,851,089
Accounts.	12,427	4,156	16,583
Accrued interest	15,560	-	15,560
Intergovernmental	1,232,933	1,124,843	2,357,776
Prepayments	79,083	5,936	85,019
Inventory held for resale.	-	18,706	18,706
Internal balance	258,904	(258,904)	-
Capital assets:			
Nondepreciable capital assets	9,901,417	-	9,901,417
Depreciable capital assets, net.	38,358,784	1,395,451	39,754,235
Capital assets, net	48,260,201	1,395,451	49,655,652
Total assets.	119,439,021	2,716,915	122,155,936
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	8,887	-	8,887
Pension - STRS (see Note 12)	9,159,476	500,179	9,659,655
Pension - SERS (see Note 12)	3,101,522	417,722	3,519,244
Total deferred outflows of resources	12,269,885	917,901	13,187,786
Liabilities:			
Accounts payable.	356,755	22,297	379,052
Contracts payable.	1,079,439	-	1,079,439
Retainage payable	253,314	-	253,314
Accrued wages and benefits payable	3,952,168	325,389	4,277,557
Intergovernmental payable	573,706	3,536	577,242
Pension and postemployment benefits payable .	620,495	60,673	681,168
Accrued interest payable	12,224	-	12,224
Long-term liabilities:			
Due within one year.	4,023,026	32,883	4,055,909
Due in more than one year:			
Net pension liability (see Note 12)	66,221,444	4,587,841	70,809,285
Other amounts due in more than one year .	3,996,565	265,392	4,261,957
Total liabilities	81,089,136	5,298,011	86,387,147
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . . .	25,369,596	-	25,369,596
Pension - STRS (see Note 12)	410,902	125,491	536,393
Pension - SERS (see Note 12)	-	14,560	14,560
Total deferred inflows of resources	25,780,498	140,051	25,920,549
Net position:			
Net investment in capital assets	44,181,015	1,395,451	45,576,466
Restricted for:			
Capital projects	3,806,698	-	3,806,698
Debt service.	1,319,936	-	1,319,936
State funded programs.	108,666	-	108,666
Federally funded programs	119,143	-	119,143
Student activities	200,638	-	200,638
Other purposes	38,068	-	38,068
Unrestricted (deficit)	(24,934,892)	(3,198,697)	(28,133,589)
Total net position (deficit)	$ 24,839,272	$ (1,803,246)	$ 23,036,026

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

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

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	$ 19,286,494	$ 807,593	$ 198,149	$ -
Special	7,039,755	35,566	2,985,342	-
Vocational	237,785	-	71,693	-
Other	3,018,702	-	22,536	-
Support services:				
Pupil	2,196,140	-	35,998	-
Instructional staff	1,290,902	1,072	527,073	-
Board of education	60,013	-	-	-
Administration	3,183,610	-	-	-
Fiscal	1,030,693	-	40,505	-
Business	179,524	-	-	-
Operations and maintenance	5,328,595	21,421	18	-
Pupil transportation	2,037,834	-	125,303	-
Central	619,278	-	10,800	-
Operation of non-instructional services	924,176	184	619,390	-
Extracurricular activities	863,838	246,144	18,856	655,005
Depreciation expense not included in other functions (see Note 7)	90,356	-	-	-
Interest and fiscal charges	215,377	-	-	-
Total governmental activities	47,603,072	1,111,980	4,655,663	655,005
Business-type activities:				
Food service	1,633,410	388,064	1,185,471	-
Uniform school supplies	5,912	320	-	-
Recreation center	161,011	93,421	-	-
Education costs for outside entities	1,867,266	1,641,457	247,480	-
Before/after school child care	61,926	49,560	-	-
Total business-type activities	3,729,525	2,172,822	1,432,951	-
Totals	$ 51,332,597	$ 3,284,802	$ 6,088,614	$ 655,005

General revenues:
Property taxes levied for:
General purposes
Debt service
Capital outlay
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Governmental Activities	Business-Type Activities	Total
Net (Expense) Revenue and Changes in Net Position		
$ (18,280,752)	$ -	$ (18,280,752)
(4,018,847)	-	(4,018,847)
(166,092)	-	(166,092)
(2,996,166)	-	(2,996,166)
(2,160,142)	-	(2,160,142)
(762,757)	-	(762,757)
(60,013)	-	(60,013)
(3,183,610)	-	(3,183,610)
(990,188)	-	(990,188)
(179,524)	-	(179,524)
(5,307,156)	-	(5,307,156)
(1,912,531)	-	(1,912,531)
(608,478)	-	(608,478)
(304,602)	-	(304,602)
56,167	-	56,167
(90,356)	-	(90,356)
(215,377)	-	(215,377)
(41,180,424)	-	(41,180,424)
-	(59,875)	(59,875)
-	(5,592)	(5,592)
-	(67,590)	(67,590)
-	21,671	21,671
-	(12,366)	(12,366)
-	(123,752)	(123,752)
(41,180,424)	(123,752)	(41,304,176)
26,401,220	-	26,401,220
2,866,094	-	2,866,094
481,832	-	481,832
16,194,559	-	16,194,559
359,080	1,718	360,798
116,754	21,700	138,454
46,419,539	23,418	46,442,957
5,239,115	(100,334)	5,138,781
19,600,157	(1,702,912)	17,897,245
$ 24,839,272	$ (1,803,246)	$ 23,036,026

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Debt Service	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents . . .	$ 34,843,919	$ 2,170,274	$ 3,880,278	$ 834,353	$ 41,728,824
Receivables:					
Property taxes.	26,067,676	1,307,580	475,833	-	27,851,089
Accounts	12,367	-	-	60	12,427
Accrued interest	15,560	-	-	-	15,560
Interfund loans	1,115,500	-	-	-	1,115,500
Intergovernmental.	287,820	-	-	945,113	1,232,933
Prepayments.	74,504	-	-	4,579	79,083
Total assets	$ 62,417,346	$ 3,477,854	$ 4,356,111	$ 1,784,105	$ 72,035,416
Liabilities:					
Accounts payable	$ 201,163	$ -	$ 115,976	$ 39,616	$ 356,755
Contracts payable.	-	-	1,079,439	-	1,079,439
Retainage payable.	-	-	253,314	-	253,314
Accrued wages and benefits payable	3,728,921	-	-	223,247	3,952,168
Compensated absences payable	127,205	-	-	-	127,205
Intergovernmental payable	397,003	-	-	176,703	573,706
Pension and postemployment benefits payable . .	581,242	-	-	39,253	620,495
Interfund loans payable.	-	-	-	790,500	790,500
Due to other funds	66,096	-	-	-	66,096
Total liabilities.	5,101,630	-	1,448,729	1,269,319	7,819,678
Deferred inflows of resources:					
Property taxes levied for the next fiscal year. . .	23,745,082	1,191,077	433,437	-	25,369,596
Delinquent property tax revenue not available. . .	637,855	31,995	11,643	-	681,493
Intergovernmental revenue not available.	-	-	-	498,366	498,366
Accrued interest not available.	15,560	-	-	-	15,560
Tuition revenue not available.	145,577	-	-	-	145,577
Total deferred inflows of resources	24,544,074	1,223,072	445,080	498,366	26,710,592
Fund balances:					
Nonspendable:					
Prepaids.	74,504	-	-	4,579	79,083
Restricted:					
Debt service	-	2,254,782	-	-	2,254,782
Capital improvements	-	-	2,462,302	-	2,462,302
Non-public schools	-	-	-	37,324	37,324
Other purposes.	-	-	-	50,836	50,836
Extracurricular	-	-	-	200,595	200,595
Assigned:					
Student instruction	244,712	-	-	-	244,712
Student and staff support.	686,392	-	-	-	686,392
Subsequent year's appropriations	1,113,479	-	-	-	1,113,479
Unassigned (deficit)	30,652,555	-	-	(276,914)	30,375,641
Total fund balances	32,771,642	2,254,782	2,462,302	16,420	37,505,146
Total liabilities, deferred inflows and fund balances	$ 62,417,346	$ 3,477,854	$ 4,356,111	$ 1,784,105	$ 72,035,416

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

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

Total governmental fund balances		$ 37,505,146
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		48,260,201
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	$ 681,493	
Accrued interest receivable	15,560	
Intergovernmental receivable	643,943	
Total		1,340,996
Unamortized premiums on bonds issued are not recognized in the funds.		(21,875)
Deferred outflows of resources related to unamortized deferred charges on debt refunding are not recognized in the funds.		8,887
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(12,224)
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	12,260,998	
Deferred inflows - Pension	(410,902)	
Net pension liability	(66,221,444)	
Total		(54,371,348)
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	(530,002)	
Notes payable	(398,000)	
Capital appreciation bonds	(1,955,000)	
Accreted interest on capital appreciation bonds	(954,617)	
Capital lease obligations	(301,638)	
Compensated absences payable	(3,731,254)	
Total		(7,870,511)
Net position of governmental activities		$ 24,839,272

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

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

	General	Debt Service	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	$ 26,516,799	$ 2,919,027	$ 483,939	$ -	$ 29,919,765
Tuition	758,654	-	-	-	758,654
Earnings on investments	310,979	14,295	40,591	2,706	368,571
Extracurricular	104,662	-	-	150,477	255,139
Classroom materials and fees	21,080	-	-	-	21,080
Rental income	21,421	-	-	-	21,421
Contributions and donations	8,435	-	655,005	59,463	722,903
Contract services	-	-	-	10,248	10,248
Other local revenues	116,726	-	28	807	117,561
Intergovernmental - intermediate	-	-	-	20,265	20,265
Intergovernmental - state	17,100,218	485,880	56,310	553,382	18,195,790
Intergovernmental - federal	238,791	-	-	2,306,467	2,545,258
Total revenues	45,197,765	3,419,202	1,235,873	3,103,815	52,956,655
Expenditures:					
Current:					
Instruction:					
Regular	17,578,252	-	-	309,855	17,888,107
Special	5,188,047	-	-	1,487,996	6,676,043
Vocational	224,527	-	-	-	224,527
Other	2,993,584	-	-	22,475	3,016,059
Support services:					
Pupil	2,062,371	-	-	36,105	2,098,476
Instructional staff	690,330	-	-	524,863	1,215,193
Board of education	59,649	-	-	-	59,649
Administration	3,043,968	-	-	-	3,043,968
Fiscal	903,675	55,716	8,836	40,602	1,008,829
Business	160,900	-	-	-	160,900
Operations and maintenance	3,889,356	-	199,186	15	4,088,557
Pupil transportation	2,464,540	-	-	8,326	2,472,866
Central	592,501	-	8,136	10,800	611,437
Operation of non-instructional services	321,801	-	-	582,709	904,510
Extracurricular activities	597,294	-	-	184,508	781,802
Facilities acquisition and construction	-	-	9,229,523	-	9,229,523
Capital outlay	297,594	-	-	-	297,594
Debt service:					
Principal retirement	68,639	3,300,000	-	-	3,368,639
Interest and fiscal charges	15,816	101,163	-	-	116,979
Total expenditures	41,152,844	3,456,879	9,445,681	3,208,254	57,263,658
Excess of revenues over (under) expenditures	4,044,921	(37,677)	(8,209,808)	(104,439)	(4,307,003)
Other financing sources (uses):					
Transfers in	-	205,196	5,027,140	-	5,232,336
Transfers (out)	(5,232,336)	-	-	-	(5,232,336)
Capital lease transaction	297,594	-	-	-	297,594
Total other financing sources (uses)	(4,934,742)	205,196	5,027,140	-	297,594
Net change in fund balances	(889,821)	167,519	(3,182,668)	(104,439)	(4,009,409)
Fund balances at beginning of year	33,661,463	2,087,263	5,644,970	120,859	41,514,555
Fund balances at end of year	$ 32,771,642	$ 2,254,782	$ 2,462,302	$ 16,420	$ 37,505,146

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE 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			$	(4,009,409)
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.				
Capital asset additions	$	10,103,069		
Current year depreciation		(1,929,340)		
Total				8,173,729
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.				(12,023)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Delinquent property tax revenue		(170,619)		
Tuition revenue		45,438		
Earnings on investments		(6,785)		
Intergovernmental revenue		17,498		
Total				(114,468)
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:				
Bonds		3,110,000		
Notes		190,000		
Capital leases		68,639		
Total				3,368,639
Issuances of capital lease transactions are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenue as as they increase liabilities on the statement of net position.				(297,594)
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		5,721		
Accreted interest on capital appreciation bonds		(117,107)		
Amortization of bond premiums		21,875		
Amortization of deferred charges on debt refundings		(8,887)		
Total				(98,398)
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 the governmental funds.				3,957
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.				3,357,165
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.				(5,132,483)
Change in net position of governmental activities			$	5,239,115

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE 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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Property taxes	$ 25,479,712	$ 26,409,124	$ 26,429,802	$ 20,678
Tuition	731,560	758,245	758,839	594
Earnings on investments	299,244	310,159	310,402	243
Extracurricular	72,371	75,011	75,070	59
Classroom materials and fees	20,284	21,024	21,040	16
Rental income	20,467	21,213	21,230	17
Contributions and donations	7,230	7,494	7,500	6
Other local revenues	107,717	111,647	111,734	87
Intergovernmental - state	16,508,566	17,110,741	17,124,139	13,398
Intergovernmental - federal	230,207	238,604	238,791	187
Total revenues	43,477,358	45,063,262	45,098,547	35,285
Expenditures:				
Current:				
Instruction:				
Regular	18,349,035	18,349,035	17,466,218	882,817
Special	5,450,900	5,450,900	5,188,644	262,256
Vocational	248,858	248,858	236,885	11,973
Other	3,357,480	3,357,480	3,195,944	161,536
Support services:				
Pupil	2,282,487	2,282,487	2,172,671	109,816
Instructional staff	762,485	762,485	725,800	36,685
Board of education	118,548	118,548	112,844	5,704
Administration	3,229,741	3,229,741	3,074,350	155,391
Fiscal	953,209	953,209	907,348	45,861
Business	218,159	218,159	207,663	10,496
Operations and maintenance	4,440,957	4,440,957	4,227,292	213,665
Pupil transportation	2,740,400	2,740,400	2,608,553	131,847
Central	649,935	649,935	618,665	31,270
Operation of non-instructional services	353,478	353,478	336,471	17,007
Extracurricular activities	621,304	621,304	591,412	29,892
Total expenditures	43,776,976	43,776,976	41,670,760	2,106,216
Excess of revenues over (under) expenditures	(299,618)	1,286,286	3,427,787	2,141,501
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	272	272
Transfers (out)	(245,000)	(5,252,140)	(5,232,336)	19,804
Advances in	1,025,928	1,025,928	1,025,928	-
Advances (out)	(500,000)	(500,000)	(1,115,500)	(615,500)
Total other financing sources (uses)	280,928	(4,726,212)	(5,321,636)	(595,424)
Net change in fund balance	(18,690)	(3,439,926)	(1,893,849)	1,546,077
Fund balance at beginning of year	34,386,509	34,386,509	34,386,509	-
Prior year encumbrances appropriated	1,261,101	1,261,101	1,261,101	-
Fund balance at end of year	$ 35,628,920	$ 32,207,684	$ 33,753,761	$ 1,546,077

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Education Costs for Outside Entities	Nonmajor Enterprise Funds	Total Business-Type Activities - Enterprise Funds
Assets:			
Equity in pooled cash and cash equivalents	$ 123,190	$ 303,537	$ 426,727
Receivables:			
Accounts	-	4,156	4,156
Intergovernmental	1,121,952	2,891	1,124,843
Prepayments	4,038	1,898	5,936
Inventory held for resale	-	18,706	18,706
Due from other funds	66,096	-	66,096
Total current assets	1,315,276	331,188	1,646,464
Noncurrent assets:			
Depreciable capital assets, net	6,903	1,388,548	1,395,451
Total assets	1,322,179	1,719,736	3,041,915
Deferred outflows of resources:			
Pension - STRS	484,523	15,656	500,179
Pension - SERS	101,882	315,840	417,722
Total deferred outflows of resources	586,405	331,496	917,901
Liabilities:			
Accounts payable	509	21,788	22,297
Accrued wages and benefits	230,811	94,578	325,389
Compensated absences	26,402	6,481	32,883
Pension and postemployment benefits payable	31,756	28,917	60,673
Interfund loan payable	175,000	150,000	325,000
Intergovernmental payable	2,564	972	3,536
Total current liabilities	467,042	302,736	769,778
Long-term liabilities:			
Compensated absences payable	222,126	43,266	265,392
Net pension liability (see Note 12)	3,272,409	1,315,432	4,587,841
Total long-term liabilities	3,494,535	1,358,698	4,853,233
Total liabilities	3,961,577	1,661,434	5,623,011
Deferred inflows of resources:			
Pension - STRS	125,491	-	125,491
Pension - SERS	8,787	5,773	14,560
Total deferred inflows of resources	134,278	5,773	140,051
Net position:			
Investment in capital assets	6,903	1,388,548	1,395,451
Unrestricted (deficit)	(2,194,174)	(1,004,523)	(3,198,697)
Total net position (deficit)	$ (2,187,271)	$ 384,025	$ (1,803,246)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Education Costs for Outside Entities	Nonmajor Enterprise Funds	Total Business-Type Activities - Enterprise Funds
Operating revenues:			
Tuition and fees.	$ 1,499,081	$ 49,926	$ 1,549,007
Sales/charges for services.	142,376	437,944	580,320
Other	13,997	7,479	21,476
Rental income.	-	43,495	43,495
Total operating revenues	1,655,454	538,844	2,194,298
Operating expenses:			
Personal services.	1,633,767	882,490	2,516,257
Purchased services.	205,392	749,052	954,444
Materials and supplies	26,923	177,299	204,222
Other.	-	1,539	1,539
Depreciation	1,184	51,879	53,063
Total operating expenses.	1,867,266	1,862,259	3,729,525
Operating loss	(211,812)	(1,323,415)	(1,535,227)
Nonoperating revenues:			
Grants and subsidies.	247,480	1,076,330	1,323,810
Interest revenue	588	1,354	1,942
Federal donated commodities	-	109,141	109,141
Total nonoperating revenues.	248,068	1,186,825	1,434,893
Change in net position	36,256	(136,590)	(100,334)
Net position (deficit) at beginning of year	(2,223,527)	520,615	(1,702,912)
Net position (deficit) at end of year . . .	$ (2,187,271)	$ 384,025	$ (1,803,246)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Education Costs for Outside Entities	Nonmajor Enterprise Funds	Total Business-Type Activities - Enterprise Funds
Cash flows from operating activities:			
Cash received from tuition and fees	$ 1,488,618	$ 51,617	$ 1,540,235
Cash received from sales/charges for services	142,376	435,733	578,109
Cash received from rentals	-	43,495	43,495
Cash received from other operations	13,997	7,479	21,476
Cash payments for personal services	(1,563,397)	(811,456)	(2,374,853)
Cash payments for purchased services	(211,309)	(783,815)	(995,124)
Cash payments for materials and supplies	(26,414)	(73,015)	(99,429)
Cash payments for other expenses	-	(3,248)	(3,248)
Net cash (used in) operating activities	(156,129)	(1,133,210)	(1,289,339)
Cash flows from noncapital financing activities:			
Cash received from grants and subsidies	247,480	1,097,156	1,344,636
Cash received from interfund loans	175,000	150,000	325,000
Cash used in repayment of interfund loans	(251,000)	-	(251,000)
Net cash provided by noncapital financing activities	171,480	1,247,156	1,418,636
Cash flows from investing activities:			
Interest received	588	1,354	1,942
Net cash provided by investing activities	588	1,354	1,942
Net increase in cash and cash equivalents	15,939	115,300	131,239
Cash and cash equivalents at beginning of year	107,251	188,237	295,488
Cash and cash equivalents at end of year	$ 123,190	$ 303,537	$ 426,727
Reconciliation of operating loss to net cash (used in) operating activities:			
Operating loss	$ (211,812)	$ (1,323,415)	$ (1,535,227)
Adjustments:			
Depreciation	1,184	51,879	53,063
Federal donated commodities	-	109,141	109,141
Changes in assets and liabilities:			
(Increase) in inventory held for resale	-	(4,145)	(4,145)
(Increase) decrease in accounts receivable	48,144	(520)	47,624
(Increase) in intergovernmental receivable	(109,168)	(2,891)	(112,059)
(Increase) in prepayments	(4,038)	(1,898)	(5,936)
Decrease in due from other funds	45,158	-	45,158
(Decrease) in accounts payable	(5,408)	(35,475)	(40,883)
Increase in accrued wages and benefits	20,924	8,887	29,811
Increase in intergovernmental payable	175	109	284
(Decrease) in compensated absences payable	(2,785)	(632)	(3,417)
Increase in net pension liability	450,513	305,516	756,029
(Increase) in deferred outflows - pensions	(303,408)	(221,275)	(524,683)
(Decrease) in deferred inflows - pensions	(86,637)	(25,196)	(111,833)
Increase in pension and postemployment benefits payable	1,029	6,705	7,734
Net cash used in operating activities	$ (156,129)	$ (1,133,210)	$ (1,289,339)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents . . .	$ 1,205	$ 220,504
Total assets.	1,205	$ 220,504
Liabilities:		
Intergovernmental payable	-	$ 17,662
Due to students.	-	202,842
Total liabilities	-	$ 220,504
Net position:		
Held in trust for scholarships	1,205	
Total net position.	$ 1,205	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

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

	Private-Purpose Trust
	Scholarship
Net position at beginning of year.	$ 1,205
Net position at end of year	$ 1,205

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE DISTRICT

The Wooster City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the District's ten instructional/support facilities.

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, special needs school (Boys Village), 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).

The City of Wooster and the Wooster Public Library perform activities within the District's boundaries for the benefit of residents and are excluded from the accompanying financial statements of the District. Both are legally separate entities that are not fiscally dependent on the District. The District is not financially accountable for either of these two entities.

The District participates in two public entity risk pools and one jointly governed organization. These organizations include the Ohio School Comp Workers' Compensation Group Rating Program (GRP), the Stark County Schools Council of Governments Health Benefit Plan (Stark County Schools COG HBP) and the Midland COG. These organizations are presented in Notes 10 and 14 to the basic financial statements.

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

B. Basis of Presentation

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 statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and for the five business-type 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Debt Service Fund - The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, principal and interest obligations relative to the District's general obligation bonds.

Permanent Improvement Fund - The permanent improvement fund accounts for levy collections used for the acquisition, construction, or improvement of capital facilities.

The nonmajor governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUND TYPE

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the District's proprietary fund types:

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the District's major enterprise fund:

Education Costs for Outside Entities - The education costs for outside entities fund is used to account for tuition, grants and other resources used to support the operations of Boys Village School and the International Baccalaureate (IB) program which are utilized by outside entities.

The nonmajor enterprise funds are used to account for food service, uniform school supplies, recreation center, and before/after school child care.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are a private-purpose trust and agency funds. The District's agency funds account for student activities, monies collected and due to others, and for monies collected on behalf of and disbursed to the Ohio High School Athletic Association. The District's private-purpose trust fund accounts for scholarships for students.

D. Measurement Focus

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

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources and 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund activities.

E. 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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 the fiscal year-end.

Non-exchange 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 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 non-exchange transactions must also be available before it can be recognized.

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

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

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.

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 fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as “federal donated commodities”.

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 governmental funds.

F. Cash and Cash Equivalents

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

During fiscal year 2017, investments were limited to non-negotiable certificates of deposit, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and STAR Plus. Investments in non-negotiable certificates are reported at cost while investments in STAR Ohio are reported at amortized cost as described below.

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

In fiscal year 2017, the District invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

In fiscal year 2017, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but 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.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2017 amounted to $310,979, which includes $6,957 assigned from other District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

G. Inventory

Within the basic financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at year-end. Inventories of the food service enterprise fund consist of donated and purchased food and supplies.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted assets at June 30, 2017.

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

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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 values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Land Improvements	5 Years	N/A
Buildings and Improvements	20 - 125 Years	50 Years
Furniture and Equipment	5 - 15 Years	10 Years
Vehicles	15 Years	N/A
Ice Arena	50 Years	N/A

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables" and receivables and payables resulting from interfund goods and services provided are classified and “due to/due from other funds.” These interfund balances are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as a component of “internal balance” on the statement of net position.

K. Compensated Absences

GASB Statement No. 16 specifies that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met.

1. The employees’ rights to receive compensation are attributable to services already rendered.

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

2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The District has accrued a liability for these compensated absences using the termination method when the following criterion is met.

The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

The sick leave liability has been based on the District's past experience of making termination payments for sick leave.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and 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 fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

M. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 8.

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

For advance refunding 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 over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

N. 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 (including contracts and retainage payable) 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 local resources received that are restricted to support of school operations.

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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.

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

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 assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

The District applies restricted resources first when 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.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, uniform school supplies, recreation center fees, tuition and fees for Boys Village and IB program, and charges for services for before/after school child care. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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 and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

S. 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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

U. Estimates

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

V. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed.

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

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

W. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported in the financial statements 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. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

X. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 in puts are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. At June 30, 2017, the District had no investments which are at fair value and subject to the fair value measurements. See Note 2.F. for detail on the District's investments.

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 19); however, there was no effect on beginning net position/fund balance.

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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/Net Position

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

Nonmajor governmental funds	Deficit
Public School Preschool	$ 15,880
IDEA Part B	212,729
Title I	48,056
Improving Teacher Quality	249
Total	276,914
Major enterprise fund	
Education costs for outside entities	2,187,271
Nonmajor enterprise funds	
Food service	950,536
Before/after school child care	53,239

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 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Fund Reclassification

For reporting at June 30, 2017, the permanent improvement fund is considered a major governmental fund. As such, this fund is reclassified from a nonmajor governmental fund to a major governmental fund. The fund reclassification had the following effect on fund balances as previously reported.

	Permanent Improvement	Nonmajor Governmental Funds
Fund balance as previously reported	$ -	$ 5,765,829
Fund reclassification due to major fund reporting	5,644,970	(5,644,970)
Restated fund balance at July 1, 2016	$ 5,644,970	$ 120,859

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);

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 forty 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.

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.

Custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the District’s name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The District’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits, including $27,394,392 in nonnegotiable certificates of deposit and $126,337 in STAR Plus, was $29,321,721. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, $2,498,342 of the District's bank balance of $30,296,940 was exposed to custodial credit risk as discussed below, while $27,798,598 was covered by the Federal Deposit Insurance Corporation.

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.

B. Investments

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

Measurement/ Investment type	Measurement Value	Investmnet Maturity 6 months or less
Amortized Cost:		
STAR Ohio	$ 13,055,539	$ 13,055,539

The District's weighted average maturity for investments in STAR Ohio is one day.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

Credit Risk: Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAm by Standard and Poor's.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

Measurement/ Investment type	Measurement Value	% of Total
Amortized Cost:		
STAR Ohio	$ 13,055,539	100.00

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 above on the statement of net position as of June 30, 2017:

Cash and investments per note	
Carrying amount of deposits	$ 29,321,721
Investments	13,055,539
Total	$ 42,377,260

Cash and cash equivalents per statement of net position	
Governmental activities	$ 41,728,824
Business-type activities	426,727
Private-purpose trust fund	1,205
Agency funds	220,504
Total	$ 42,377,260

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 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, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 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.

NOTE 5 - PROPERTY TAXES - (Continued)

The District receives property taxes from Wayne 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 $1,684,739 in the general fund, $84,508 in the debt service fund and $30,753 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was $1,597,742 in the general fund, $180,099 in the debt service fund and $29,158 in the permanent improvement 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	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 609,203,340	96.34	$ 611,056,930	96.25
Public utility personal	23,118,630	3.66	23,815,940	3.75
Total	$ 632,321,970	100.00	$ 634,872,870	100.00
Tax rate per $1,000 of assessed valuation	$ 79.90		$ 80.00	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2017 consisted of taxes, accounts, 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.

NOTE 6 – RECEIVABLES - (Continued)

A summary of the principal items of intergovernmental receivables reported on the statement of net position follows:

	Tuition Costs	State and Federal Grants	Total
Governmental activities	$ 145,577	$ 1,087,356	$ 1,232,933
Business-type activities	1,116,549	8,294	1,124,843
Total	$ 1,262,126	$ 1,095,650	$ 2,357,776

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

NOTE 7 - CAPITAL ASSETS

Governmental activities capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 07/01/16	Additions	Deductions	Balance 06/30/17
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,354,412	$ -	$ -	$ 2,354,412
Construction in progress	2,254,755	8,567,713	(3,275,463)	7,547,005
Total capital assets, not being depreciated	4,609,167	8,567,713	(3,275,463)	9,901,417
Capital assets, being depreciated:				
Land improvements	4,206,597	1,350,019	(23,000)	5,533,616
Buildings and improvements	50,169,519	1,697,946	-	51,867,465
Furniture and equipment	3,289,099	1,207,098	(30,092)	4,466,105
Vehicles	2,767,427	555,756	(200,389)	3,122,794
Ice arena *	4,517,809	-	-	4,517,809
Total capital assets, being depreciated	64,950,451	4,810,819	(253,481)	69,507,789
Less: accumulated depreciation				
Land improvements	(3,059,705)	(438,466)	23,000	(3,475,171)
Buildings and improvements	(22,238,195)	(906,177)	-	(23,144,372)
Furniture and equipment	(1,501,557)	(322,572)	30,092	(1,794,037)
Vehicles	(1,306,323)	(171,769)	188,366	(1,289,726)
Ice arena *	(1,355,343)	(90,356)	-	(1,445,699)
Total accumulated depreciation	(29,461,123)	(1,929,340)	241,458	(31,149,005)
Governmental activities capital assets, net	$ 40,098,495	$ 11,449,192	$ (3,287,486)	$ 48,260,201

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
Instruction:	
Regular	$ 843,239
Support Services:	
Administration	1,590
Operations and maintenance of plant	784,511
Pupil transportation	159,969
Central	2,467
Extracurricular activities	47,208
Depreciation expense not included in other functions *	90,356
Total governmental activities	$ 1,929,340

*The ice arena was donated to the District and is operated by the Donald and Alice Noble foundation, Inc. The District does not collect any fees or pay any expenses to operate the facility.

Business-type activities capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
Business-type activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 2,535,383	$ -	$ -	$ 2,535,383
Furniture and equipment	330,673	-	(6,662)	324,011
Total capital assets, being depreciated	2,866,056	-	(6,662)	2,859,394
Less: accumulated depreciation				
Buildings and improvements	(1,098,667)	(50,707)	-	(1,149,374)
Furniture and equipment	(318,875)	(2,356)	6,662	(314,569)
Total accumulated depreciation	(1,417,542)	(53,063)	6,662	(1,463,943)
Business-type activities capital assets, net	$ 1,448,514	$ (53,063)	$ -	$ 1,395,451

Depreciation expense was charged to the business-type activities as follows:

Business-type activities:	
Food service	$ 1,172
Community recreation	50,707
Boys Village	1,184
Total business-type activities	$ 53,063

NOTE 8 - LONG-TERM OBLIGATIONS

During the fiscal year 2017, the following activity occurred in the District's long-term obligations.

Governmental activities:	Balance 06/30/16	Increases	Decreases	Balance 06/30/17	Amount Due Within One Year
Note payable:					
Energy conservation note					
Interest rate 3.32% through 2018	$ 588,000	$ -	$ (190,000)	$ 398,000	$ 196,000
General obligation bonds payable:					
Series 2004 refunding bonds					
2.5% - 4.1% through 2018	785,002	-	(255,000)	530,002	260,000
Series 2007 refunding bonds					
4.00% - 4.15% through 2016	2,855,000	-	(2,855,000)	-	-
Capital appreciation bonds	1,955,000	-	-	1,955,000	1,955,000
Accretion on CAB's	837,510	117,107	-	954,617	954,617
Premium on debt issuance	43,750	-	(21,875)	21,875	-
Total bonds and notes	7,064,262	117,107	(3,321,875)	3,859,494	3,365,617
Net pension liability:					
STRS	44,461,149	9,322,288	-	53,783,437	-
SERS	9,509,394	2,928,613	-	12,438,007	-
Total net pension liability	53,970,543	12,250,901	-	66,221,444	-
Capital lease obligation	72,683	297,594	(68,639)	301,638	76,732
Compensated absences	3,900,712	321,220	(363,473)	3,858,459	580,677
Total long-term obligations	$ 65,008,200	$ 12,986,822	$ (3,753,987)	$ 74,241,035	$ 4,023,026
Business-type activities:					
Net pension liability:					
STRS	$ 2,476,769	$ 386,679	$ -	$ 2,863,448	$ -
SERS	1,355,043	369,350	-	1,724,393	-
Total net pension liability	3,831,812	756,029	-	4,587,841	-
Compensated absences	301,692	1,588	(5,005)	298,275	32,883
Total long-term obligations	$ 4,133,504	$ 757,617	$ (5,005)	$ 4,886,116	$ 32,883

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Note Payable

In 2009, the District issued $1,757,800 in energy conservation notes payable for renovation of school facilities to conserve energy. The notes mature in December 2018. The notes are being paid from the debt service fund

General Obligation Bonds Payable

In 2004, the District issued $3,010,000 in Series 2004 general obligation refunding bonds. These include current interest bonds which mature in December 2018.

On September 27, 2007, the District issued $9,755,000 in Series 2007 general obligation refunding bonds. These include current interest bonds which matured in December 2016, and capital appreciation bonds which mature in December 2017. The proceeds of the bonds were used to refund $9,852,550 of the District's outstanding capital improvement bonds. The bonds were issued for an 11 year period with final maturity at December 1, 2017. At the date of the refunding, $9,995,619 (including premium and after underwriting fees) was deposited in the debt service fund for the payment on the refunded bonds to the bond escrow agent. As of June 30, 2017, $7,560,000 of these bonds are considered defeased.

These refunding bonds were issued with a premium of $240,619, which is reported as an increase to bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method. There was $21,875 in amortization recorded for June 30, 2017. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of $97,550.

The general obligation bonds are being paid from the debt service fund

Net Pension Liability

See Note 12 for further information on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

Capital Lease Obligation

See Note 18 for further information on the District's capital lease obligations.

Compensated Absences

Compensated absences will be paid from the general fund and the food service and education costs for outside entities enterprise funds.

Future Debt Service Requirements

Principal and interest requirements to retire the bonds outstanding at June 30, 2017, are as follows:

Fiscal Year	General Obligation Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Accretion	Total
2018	$ 260,000	$ 16,200	$ 276,200	$ 1,955,000	$ 1,015,000	$ 2,970,000
2019	270,002	5,468	275,470	-	-	-
Total	$ 530,002	$ 21,668	$ 551,670	$ 1,955,000	$ 1,015,000	$ 2,970,000

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire notes payable at June 30, 2017, are as follows:

Fiscal Year	Energy Conservation Notes		
Ending June 30,	Principal	Interest	Total
2018	$ 196,000	$ 9,714	$ 205,714
2019	202,000	3,270	205,270
Total	$ 398,000	$ 12,984	$ 410,984

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 $56,908,338 (including available funds of $2,254,782) and an unvoted energy conservation debt margin of $5,315,856.

NOTE 9 - INTERFUND TRANSACTIONS

A. Transfers for the year ended June 30, 2017 consisted of the following as reported on the fund financial statements:

	Transfer In	Transfer Out
General fund	$ -	$ 5,232,336
Debt Service fund	205,196	-
Permanent Improvement	5,027,140	-
Total	$ 5,232,336	$ 5,232,336

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund loans receivable/payable at June 30, 2017 consisted of the following as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
General fund	$ 1,115,500	$ -
Nonmajor governmental funds	-	790,500
Education costs for outside entities fund	-	175,000
Nonmajor enterprise funds	-	150,000
Total	$ 1,115,500	$ 1,115,500

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide statement of net position. Interfund balances between governmental funds and enterprise funds are reported as a component of internal balance on the government-wide statement of net position.

C. Amounts due to/due from other funds at June 30, 2017 consisted of the following as reported on the fund financial statements:

	Due From Other Funds	Due To Other Funds
General fund	$ -	$ 66,096
Education costs for outside entities fund	66,096	-
Total	$ 66,096	$ 66,096

Balances due to/due from other funds resulted from the routine lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in accounting system and payments between funds are made. Amounts due to/from other funds between governmental funds and enterprise funds are reported as a component of the internal balance reported on the government fund statement of net position.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

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. The District insures its buildings and their contents through insurance having a $1,000 deductible and providing replacement cost for such items. An inventory of all loose equipment is conducted annually.

Appropriate liability insurance is maintained in the amount of $4,000,000 for each occurrence and $6,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Bond is maintained on all employees handling or responsible for money in the amount of $25,000. A bond of $50,000 is maintained on the Treasurer. Bonds are also provided for the School Board President and Superintendent in the amount of $10,000 each.

By state statute, Bond is provided by all contractors in amounts sufficient to cover the entire bid amount awarded to the contractor.

Claims have not exceeded coverage in any of the previous 3 years nor has there been any significant reductions in coverage from the previous year.

B. Workers' Compensation

The District participates in the Ohio School Comp Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. This represents a merger of individual pooling programs for the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO). Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - RISK MANAGEMENT - (Continued)

C. Employee Health, Prescription Drug and Dental Insurance

The District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The District accounts for the premiums paid as expenditures in the general or applicable fund.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn up to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees as earned. Accumulated, unused vacation time is paid to classified employees upon termination or retirement. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. For employees with 10 to 30 years of service, a percentage of unused sick time is paid upon retirement at 50% of the maximum number of days accumulated not to exceed 275 days for certificated staff and classified staff. For employees with more than 30 years of service, a percentage of unused sick time is paid upon retirement at the lesser of 65 days or 25% of the maximum number of days accumulated not to exceed 275 days for certificated staff and classified staff.

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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 benefits payable* on both the accrual and modified accrual bases of accounting.

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 $952,207 for fiscal year 2017. Of this amount, $118,078 is reported as pension and postemployment benefits payable.

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For 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 $2,655,110 for fiscal year 2017. Of this amount, $454,192 is reported as pension and postemployment benefits 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:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.19040050%	0.16983678%	
Proportion of the net pension liability current measurement date	0.19349980%	0.16923150%	
Change in proportionate share	0.00309930%	(0.00060528)%	
Proportionate share of the net pension liability	$ 14,162,400	$ 56,646,885	$ 70,809,285
Pension expense	$ 1,598,062	$ 3,904,086	$ 5,502,148

Of the District's total pension expense of $5,502,148, $5,132,483 is reported in the governmental activities and $369,665 is reported in the business-type activities.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 191,016	$ 2,288,805	$ 2,479,821
Net difference between projected and actual earnings on pension plan investments	1,168,192	4,703,215	5,871,407
Changes of assumptions	945,418	-	945,418
Difference between District contributions and proportionate share of contributions/ change in proportionate share	262,411	12,525	274,936
District contributions subsequent to the measurement date	952,207	2,655,110	3,607,317
Total deferred outflows of resources	$ 3,519,244	$ 9,659,655	$ 13,178,899
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	$ 14,560	$ 536,393	$ 550,953

$3,607,317 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. Of the total contributions made subsequent to the measurement date, $3,357,165 relates to governmental activities and $250,152 relates to business-type activities. 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	$ 679,396	$ 943,040	$ 1,622,436
2019	678,552	943,040	1,621,592
2020	858,719	2,747,795	3,606,514
2021	335,810	1,834,277	2,170,087
Total	$ 2,552,477	$ 6,468,152	$ 9,020,629

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 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 disabled members 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US 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	100.00 %	

Discount Rate **-** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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	$ 18,750,135	$ 14,162,400	$ 10,322,275

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
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	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 75,279,106	$ 56,646,885	$ 40,929,507

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability 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.

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 $108,974.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were $108,974, $99,276, and $141,094, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits 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. None of the District's contributions were allocated to fund health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

The Midland Council of Governments dba/Tri-County Computer Services Association is organized under Chapter 167 of the Ohio Revised Code. The Tri-County Computer Services Association (TCCSA) is a jointly governed organization. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts in Ashland, Holmes, Medina and Wayne counties. TCCSA is governed by representatives from each of the participating public school districts served by TCCSA. TCCSA is recognized as one of twenty-three regional Information Technology Centers (ITC) as defined by the Ohio Department of Education. Each of the participating districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained by contacting the Executive Director at Tri-County Computer Services Association located at 2125 Eagle Pass, Wooster, OH 44691. During the fiscal year ended June 30, 2017 the School District paid $378,623 for basic service charges.

NOTE 15 - CONTINGENCIES AND SIGNIFICANT COMMITMENTS

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

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

C. Foundation Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school 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. Management believes that the impact of any Foundation funding adjustments would be immaterial to the basic financial statements.

NOTE 15 - CONTINGENCIES AND SIGNIFICANT COMMITMENTS - (Continued)

D. Contractual Commitments

At June 30, 2017, the District had the following contractual commitments for construction projects:

Project	Contractor	Contractual Commitment	Expenditures Through 6/30/2017	Balance 6/30/2017
Gault Recreation Center lighting replacement	Abbott Electric	$ 92,000	$ (92,000)	$ -
HVAC Rooftop Unit Phase II	Standard Plumbing	621,711	(621,711)	-
Follis Field Improvments	Imhoff	918,787	(918,787)	-
Edgewood MS Building Addition	Jeffrey Carr Construction	2,162,008	(2,147,008)	15,000
District paving improvements	Chagrin Valley Paving	771,698	(771,698)	-
Edgewood roof replacement	Meade Construction	1,376,943	(1,376,943)	-
Cornerstone PlayLab	Simonson Construction	358,022	(358,022)	-
Baseball Field Improvements	Hickory Valley Sod Farm	118,700	(47,160)	71,540
Kean Building Improvement	Town Center Construction	722,500	(281,333)	441,167
Follis Field Entry Facility	Simonson Construction	2,927,665	(2,432,578)	495,087
Cornerstone Early Elementary Center	Simonson Construction	2,248,711	(1,116,546)	1,132,165
Total		$ 12,318,745	$ (10,163,786)	$ 2,154,959

E. Encumbrance Commitments

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

Fund	Amount
General fund	$ 855,003
Permanent Improvement	2,501,752
Other governmental funds	137,824
Total	$ 3,494,579

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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) Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP); and,

(e) A certain fund is included in the general fund (GAAP basis), but has a separate legally adopted budget (budget basis).

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

Net Change in Fund Balance

	General fund
Budget basis	$ (1,893,849)
Net adjustment for revenue accruals	68,464
Net adjustment for expenditure accruals	(462,772)
Net adjustment for other sources/uses	386,894
Funds budgeted elsewhere **	(1,012)
Adjustment for encumbrances	1,012,454
GAAP basis	$ (889,821)

** The public school support fund is legally budgeted as a separate special revenue fund; however, it is considered part of the general fund on a GAAP basis.

NOTE 17 - 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 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.

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

	Capital Improvements
Set-aside balance June 30, 2016	$ -
Current year set-aside requirement	639,712
Current year qualifying expenditures	(1,486,908)
Current year offsets	-
Total	$ (847,196)
Balance carried forward to fiscal year 2018	$ -
Set-aside balance June 30, 2017	$ -

Although the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero, this amount may not be used to reduce the set aside requirement for future years. The negative balance is, therefore, not presented as being carried forward to future years.

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2015 and 2017, the District entered into capital lease agreements for printing equipment and copiers, respectfully. These leases meet the criteria of a capital lease as defined by GASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. No capital assets were acquired by the printing equipment lease agreement as the individual assets acquired did not exceed the District's threshold for capitalization. Capital assets were acquired by the copier equipment lease agreement and are included in the capital asset balances in Note 7.

A corresponding liability for future principal payments on the lease agreements were recorded in the statement of net position. Principal payments in the 2017 fiscal year for the printing equipment and copier lease agreements were $19,488 and $49,151, respectively. These amounts are reflected as debt service principal retirement in the general fund and as a reduction to the long-term liabilities reported on the statement of net position. The printing equipment and copier lease agreements have a present value of the minimum lease payments of $53,195 and $248,443, respectfully.

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017.

Fiscal Year Ending June 30,	Governmental Activities
2018	$ 90,072
2019	90,072
2020	78,732
2021	67,392
2022	5,616
Total	331,884
Less: amount representing interest	(30,246)
Present value of minimum lease payments	$ 301,638

NOTE 19 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under Enterprise Zone Agreements (“EZAs”) and the Ohio Community Reinvestment Area (“CRA”) program within the taxing districts of the District. The EZAs and CRA program are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing structures and promote the development of new structures.

For the District, the City of Wooster has entered into EZAs and CRA agreements that have caused a reduction to the District’s property tax receipts. During fiscal year 2017, the District’s property tax receipts were reduced as follows:

Government Entering	Tax Abatement Program		District Forgone
Into Agreement	CRA	EZAs	Taxes Revenue
City of Wooster	$ 200,485	$ 316,284	$ 516,769

The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENT

On May 2, 2017, the voters of the District approved a 1 1/2 mill Permanent Improvement Levy to fund the maintenance requirement for the District’s renovation projects. Collections on the levy begin in January 2018. The levy is for a 5-year period.

REQUIRED SUPPLEMENTARY INFORMATION

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS (1)

	2017	2016	2015	2014
District's proportion of the net pension liability	0.19349980%	0.19040050%	0.18604700%	0.18604700%
District's proportionate share of the net pension liability	$ 14,162,400	$ 10,864,437	$ 9,415,732	$ 11,063,618
District's covered payroll	$ 6,035,800	$ 5,732,049	$ 5,406,154	$ 6,813,960
District's proportionate share of the net pension liability as a percentage of its covered payroll	234.64%	189.54%	174.17%	162.37%
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.

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

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS (1)

	2017	2016	2015	2014
District's proportion of the net pension liability	0.16923150%	0.16983678%	0.17225722%	0.17225722%
District's proportionate share of the net pension liability	$ 56,646,885	$ 46,937,918	$ 41,898,917	$ 49,909,716
District's covered payroll	$ 17,895,064	$ 17,942,243	$ 17,599,931	$ 18,842,892
District's proportionate share of the net pension liability as a percentage of its covered payroll	316.55%	261.61%	238.06%	264.87%
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.

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

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ 952,207	$ 845,012	$ 755,484	$ 749,293
Contributions in relation to the contractually required contribution	(952,207)	(845,012)	(755,484)	(749,293)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 6,801,479	$ 6,035,800	$ 5,732,049	$ 5,406,154
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

	2013	2012	2011	2010	2009	2008
	$ 943,052	$ 876,028	$ 776,163	$ 899,542	$ 644,779	$ 579,654
	(943,052)	(876,028)	(776,163)	(899,542)	(644,779)	(579,654)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 6,813,960	$ 6,513,219	$ 6,174,726	$ 6,643,589	$ 6,552,632	$ 5,902,790
	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2017	**2016**	**2015**	**2014**
Contractually required contribution	$ 2,655,110	$ 2,505,309	$ 2,511,914	$ 2,287,991
Contributions in relation to the contractually required contribution	(2,655,110)	(2,505,309)	(2,511,914)	(2,287,991)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 18,965,071	$ 17,895,064	$ 17,942,243	$ 17,599,931
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

2013		2012		2011		2010		2009		2008	
$	2,449,576	$	2,578,876	$	2,638,718	$	2,682,711	$	2,604,608	$	2,576,194
	(2,449,576)		(2,578,876)		(2,638,718)		(2,682,711)		(2,604,608)		(2,576,194)
$	-	$	-	$	-	$	-	$	-	$	-
$	18,842,892	$	19,837,508	$	20,297,831	$	20,636,238	$	20,035,446	$	19,816,877
	13.00%		13.00%		13.00%		13.00%		13.00%		13.00%

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) 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 2014-2016. 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 disabled members 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 year 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.

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** Program/Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	$ 109,142
Cash Assistance:		
School Breakfast Program	10.553	207,659
National School Lunch Program	10.555	693,010
Summer Food Service Program for Children	10.559	86,057
Total Child Nutrition Cluster		1,095,868
Child and Adult Care Food Program	10.558	92,148
Total U.S. Department of Agriculture		1,188,016
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education		
Special Education Cluster:		
Special Education - Grants to States	84.027	840,481
Total Title I Grants to Local Educational Agencies	84.010	1,081,288
Total Improving Teacher Quality State Grants	84.367	146,040
Total U.S. Department of Education		2,067,809
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through Wayne County Department of Job and Family Services		
Temporary Assistance for Needy Families	93.558	251,094
TOTAL EXPENDITURES OF FEDERAL AWARDS		**$ 3,506,919**

The accompanying notes are an integral part of this schedule.

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wooster City School District, Wayne County (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, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. 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 - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Wooster City School District
Wayne County
144 North Market Street
Wooster, Ohio 44691

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Wooster City School District, Wayne 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 January 9, 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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2018

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

Wooster City School District
Wayne County
144 North Market Street
Wooster, Ohio 44691

To the Board of Education:

Report on Compliance for* the *Major Federal Program

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

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.

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www.ohioauditor.gov

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The 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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2018

WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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WOOSTER CITY SCHOOL DISTRICT

WAYNE 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 13, 2018