



Dave Yost • Auditor of State

**VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Van Wert City School District
Van Wert County
205 West Crawford Street
Van Wert, Ohio 45891

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School 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 School 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 modified cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County, Ohio, as of June 30, 2016, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and the Classroom Facilities Maintenance funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

May 9, 2017

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Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position increased \$1,050,518 from fiscal year 2015.
- Total outstanding debt decreased \$816,779 through principal payments, net of accreted amounts on capital appreciation bonds.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Van Wert City School District as a whole, 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 School District. 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 School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2016, the General fund, the Bond Retirement fund, and Classroom Facilities Maintenance fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)
(Continued)

Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General fund, the Bond Retirement fund, and the Classroom Facilities Maintenance fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The School District's fiduciary funds account for scholarships, student activities and employee funds.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to 2015.

(Table 1)
Net Position – Modified Cash Basis

	Governmental Activities	
	2016	2015
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 6,039,044	\$ 4,959,779
Cash and Cash Equivalents in Segregated Accounts	126,430	155,187
Investments	35,060	35,050
<i>Total Assets</i>	\$ 6,200,534	\$ 5,150,016
Net Position		
Restricted for:		
Capital Outlay	\$ 230,820	\$ 332,794
Debt Service	745,568	698,191
Educational Purposes:		
Expendable	9,521	9,399
Non-Expendable	25,000	25,000
Other Purposes	1,196,274	1,164,009
Unrestricted	3,993,351	2,920,623
<i>Total Net Position</i>	\$ 6,200,534	\$ 5,150,016

Net position of the governmental activities increased \$1,050,518, which represents a 20 percent increase from fiscal year 2015. The increase in cash and cash equivalents was primarily due to an increase in state funding coupled by a decrease in disbursements from prior year.

A portion of the School District's net position, \$2,207,183 or 36 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$3,993,351 may be used to meet the School District's ongoing obligations.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

(Table 2)
Changes in Net Position – Modified Cash Basis

	Governmental Activities	
	2016	2015
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 1,951,775	\$ 2,022,686
Operating Grants, Contributions and Interest	3,318,695	3,436,197
Total Program Receipts	5,270,470	5,458,883
General Receipts		
Property Taxes	7,207,830	6,946,873
Income Taxes	2,629,274	2,651,586
Grants and Entitlements not Restricted to		
Specific Programs	12,321,976	11,602,126
Payments in Lieu of Taxes	137,153	153,805
Proceeds from Sale of Assets	5,485	251
Insurance Recoveries	0	14,443
Investment Earnings	29,689	37,089
Miscellaneous	100,795	109,844
Total General Receipts	22,432,202	21,516,017
Total Receipts	27,702,672	26,974,900
Program Disbursements		
Instruction:		
Regular	11,317,261	11,439,931
Special	3,480,032	3,443,689
Vocational	1,343	24,072
Student Intervention Services	28,032	33,841
Other	679,266	645,002
Support Services:		
Pupils	1,767,216	1,658,426
Instructional Staff	633,240	623,890
Board of Education	65,437	66,662
Administration	1,839,791	1,967,840
Fiscal	605,504	585,269
Operation and Maintenance of Plant	1,993,427	1,987,555
Pupil Transportation	438,376	641,379
Central	85,030	165,645
Operation of Non-Instructional Services:		
Food Service Operations	893,125	924,345
Community Services	163,287	120,972
Extracurricular Activities	646,209	615,899
Capital Outlay	154,965	291,781
Debt Service:		
Principal Retirement	1,039,000	996,000
Interest and Fiscal Charges	821,613	854,705
Total Program Disbursements	26,652,154	27,086,903
Change in Net Position	1,050,518	(112,003)
Net Position Beginning of Year	5,150,016	5,262,019
Net Position End of Year	\$ 6,200,534	\$ 5,150,016

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)
(Continued)

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

(Table 3)
Governmental Activities – Modified Cash Basis

	Total Costs of Services		Net Costs of Services	
	2016	2015	2016	2015
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 11,317,261	\$ 11,439,931	\$ 9,792,698	\$ 9,887,733
Special	3,480,032	3,443,689	1,165,101	1,002,213
Vocational	1,343	24,072	(44,800)	(9,550)
Student Intervention Services	28,032	33,841	28,032	33,841
Other	679,266	645,002	679,266	645,002
Support Services:				
Pupils	1,767,216	1,658,426	1,767,216	1,658,426
Instructional Staff	633,240	623,890	594,261	469,773
Board of Education	65,437	66,662	65,437	66,662
Administration	1,839,791	1,967,840	1,832,786	1,960,761
Fiscal	605,504	585,269	605,504	585,269
Operation and Maintenance of Plant	1,993,427	1,987,555	1,993,427	1,987,555
Pupil Transportation	438,376	641,379	376,087	580,789
Central	85,030	165,645	85,030	165,645
Operation of Non-Instructional Services:				
Food Service Operations	893,125	924,345	(50,659)	2,008
Community Services	163,287	120,972	19,541	7,278
Extracurricular Activities	646,209	615,899	457,179	442,129
Capital Outlay	154,965	291,781	154,965	291,781
Debt Service:				
Principal Retirement	1,039,000	996,000	1,039,000	996,000
Interest and Fiscal Charges	821,613	854,705	821,613	854,705
Total	\$ 26,652,154	\$ 27,086,903	\$ 21,381,684	\$ 21,628,020

The dependence upon tax receipts and general receipts entitlements from the state for governmental activities is apparent. Program receipts only account for 20 percent of all governmental disbursements. The community is the largest area of support for the School District students.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)
(Continued)

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$6,200,534, which is higher than the prior year balance of \$5,150,016.

The General fund had total cash receipts of \$23,040,836 excluding other financing sources. The cash disbursements of the General fund totaled \$21,973,293. The General fund's fund balance increased \$1,072,728 in fiscal year 2016, primarily due to an increase in state funding coupled with cost saving measures.

The Classroom Facilities Maintenance fund had total cash receipts of \$156,787 and total cash disbursements of \$119,284, for an increase in fund balance of \$37,503 in fiscal year 2016. This fund accumulates tax receipts to pay future maintenance costs of the school facilities.

The Bond Retirement fund had total cash receipts of \$1,768,010 and total cash disbursements of \$1,720,633, for an increase in fund balance of \$47,377 in fiscal year 2016.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the School District amended its General fund budget. For the General fund, final budget basis receipts were \$22,901,285, representing an increase of \$130,000 from the original estimate of \$22,771,285. Actual receipts of \$22,932,498 were \$31,213 higher than the final budget. There were no significant reasons for these slight fluctuations.

For fiscal year 2016, the General fund final budgeted disbursements were \$23,040,369, which is over the original budgeted disbursements of \$22,947,355. Actual disbursements of \$22,055,233 were \$985,136 lower than the final budget, primarily due to conservative budgeting and cost saving measures taken throughout the year.

There were no significant variances to discuss within other financing sources and uses.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)
(Continued)

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2016 and 2015.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2016	2015
2006 Refunding Bonds - Serial, Term and Capital Appreciation Bond	\$ 9,071,046	\$ 9,098,811
2007 Refunding Bonds - Serial and Capital Appreciation Bonds	9,202,538	9,077,552
2012 Refunding Bonds - Serial Bonds	0	825,000
OASBO School Improvement Loan	1,484,000	1,548,000
Energy Conservation Loan Series 2011	350,000	375,000
<i>Total</i>	\$ 20,107,584	\$ 20,924,363

For further information regarding the School District's debt, refer to Note 11 of the basic financial statements.

Current Issues

In each year of the four year period from July 1, 2010 thru June 30, 2014 the School District operated in the red at a total General Fund cash balance loss of \$3,597,999, with the high-point being an operating loss of \$1,525,204 in fiscal year 2013. Positive news came in fiscal year 2015 as the School District, for the first time in five years, ended the year with a cash balance increase of \$74,732. The positive news continued for a second straight year as fiscal year 2016 General Fund encumbered cash balance increased by \$1,103,645. The loss of tangible personal property tax reimbursement, and essentially flat funding from property tax receipts and State Foundation funding coupled with inflation was the main cause behind the negative trend. Due to strategic management decisions, along with substantial increases in State Foundation funding (fiscal year 2016 funding was over \$2,580,000 greater than fiscal year 2013) and with additional increases in property tax receipts and School District Income Tax revenues the financial picture of the School District is much improved.

The Biennium Budget, HB 64, as passed on June 30, 2015 indicates that the School District will once again experience a substantial increase of approximately \$850,000 in State Foundation funding in fiscal year 2017.

Another issue that has been on-going is the amount of money the School District has been losing to open enrollment with annual net losses in excess of \$1,000,000. The Board of Education and the Administration are working on ways to fix this loss of students and funds. By the end of the 2015-2016 school year there were some numbers to indicate a slightly positive shift in enrollment numbers and dollars.

During fiscal year 2016 the Board of Education along with key administrators, teachers and community members invested in a Strategic Planning process administered by the Ohio School Boards Association. The result was a comprehensive strategic plan to build on five new School District objectives. The objectives are as follows:

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)
(Continued)

1. Community and Family Wellness
2. Community Engagement
3. Educational Innovation and Development
4. Funding and Resources
5. Public Relations

The Board of Education is committed that all actions by administrators, staff, and students in the School District will be directly aligned with one or more of these objectives.

The School District's collective bargaining agreements with both the certified and classified unions are in place for the period of August 1, 2014 through July 31, 2017.

For several years the School District has been implementing Project Based Learning (PBL) educational model, one grade level per year, within the High School. PBL was expended and implemented for the senior class as well as the Middle School for the 2015-2016 school year.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael Ruen, Treasurer, Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891-1903.

Van Wert City School District
Van Wert County, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2016

	Primary Government	Component Unit
	Governmental Activities	LifeLinks Community School
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 6,039,044	\$ 3,866
Cash and Cash Equivalents in Segregated Accounts	126,430	0
Investments	35,060	0
<i>Total Assets</i>	<u>\$ 6,200,534</u>	<u>\$ 3,866</u>
Net Position		
Restricted for:		
Capital Outlay	\$ 230,820	\$ 0
Debt Service	745,568	0
Educational Purposes:		
Expendable	9,521	0
Non-Expendable	25,000	0
Other Purposes	1,196,274	147
Unrestricted	3,993,351	3,719
<i>Total Net Position</i>	<u>\$ 6,200,534</u>	<u>\$ 3,866</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2016

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position	
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Primary Governmental Activities	Component Unit LifeLinks Community School
Governmental Activities					
Instruction:					
Regular	\$ 11,317,261	\$ 1,437,265	\$ 87,298	\$ (9,792,698)	\$ 0
Special	3,480,032	8,354	2,306,577	(1,165,101)	0
Vocational	1,343	0	46,143	44,800	0
Student Intervention Services	28,032	0	0	(28,032)	0
Other	679,266	0	0	(679,266)	0
Support Services:					
Pupils	1,767,216	0	0	(1,767,216)	0
Instructional Staff	633,240	0	38,979	(594,261)	0
Board of Education	65,437	0	0	(65,437)	0
Administration	1,839,791	7,005	0	(1,832,786)	0
Fiscal	605,504	0	0	(605,504)	0
Operation and Maintenance of Plant	1,993,427	0	0	(1,993,427)	0
Pupil Transportation	438,376	0	62,289	(376,087)	0
Central	85,030	0	0	(85,030)	0
Operation of Non-Instructional Services:					
Food Service Operations	893,125	339,851	603,933	50,659	0
Community Services	163,287	0	143,746	(19,541)	0
Extracurricular Activities	646,209	159,300	29,730	(457,179)	0
Capital Outlay	154,965	0	0	(154,965)	0
Debt Service:					
Principal Retirement	1,039,000	0	0	(1,039,000)	0
Interest and Fiscal Charges	821,613	0	0	(821,613)	0
Total Governmental Activities	\$ 26,652,154	\$ 1,951,775	\$ 3,318,695	\$ (21,381,684)	\$ 0
Component Unit					
LifeLinks Community School	\$ 548,717	\$ 259	\$ 44,169	0	\$ (504,289)
Totals	\$ 27,200,871	\$ 1,952,034	\$ 3,362,864	\$ (21,381,684)	\$ (504,289)
General Receipts					
Property Taxes Levied for:					
General Purposes				5,453,608	0
Debt Service				1,408,083	0
Capital Outlay				232,335	0
Classroom Facilities Maintenance				113,804	0
Income Taxes Levied for:					
General Purposes				2,629,274	0
Grants and Entitlements not Restricted to Specific Programs				12,321,976	504,467
Payments in Lieu of Taxes				137,153	0
Proceeds from Sale of Assets				5,485	0
Investment Earnings				29,689	136
Miscellaneous				100,795	3,531
Total General Receipts				22,432,202	508,134
Change in Net Position				1,050,518	3,845
Net Position Beginning of Year				5,150,016	21
Net Position End of Year				\$ 6,200,534	\$ 3,866

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2016

	General	Bond Retirement Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 3,993,351	\$ 745,568	\$ 838,405	\$ 461,720	\$ 6,039,044
Cash and Cash Equivalents in Segregated Accounts	0	0	0	126,430	126,430
Investments	0	0	0	35,060	35,060
<i>Total Assets</i>	<u>\$ 3,993,351</u>	<u>\$ 745,568</u>	<u>\$ 838,405</u>	<u>\$ 623,210</u>	<u>\$ 6,200,534</u>
Fund Balances					
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Restricted	0	745,568	838,405	602,159	2,186,132
Assigned	188,041	0	0	0	188,041
Unassigned	3,805,310	0	0	(3,949)	3,801,361
<i>Total Fund Balances</i>	<u>\$ 3,993,351</u>	<u>\$ 745,568</u>	<u>\$ 838,405</u>	<u>\$ 623,210</u>	<u>\$ 6,200,534</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 5,453,608	\$ 1,408,083	\$ 113,804	\$ 232,335	\$ 7,207,830
Income Taxes	2,629,274	0	0	0	2,629,274
Intergovernmental	13,210,062	359,927	42,983	1,906,269	15,519,241
Investment Income	29,621	0	0	1,492	31,113
Tuition and Fees	860,881	0	0	0	860,881
Extracurricular Activities	44,832	0	0	118,538	163,370
Gifts and Donations	48,184	0	0	73,147	121,331
Charges for Services	553,122	0	0	339,851	892,973
Payments in Lieu of Taxes	137,153	0	0	0	137,153
Rent	32,820	0	0	1,732	34,552
Miscellaneous	41,279	0	0	56,976	98,255
<i>Total Receipts</i>	<u>23,040,836</u>	<u>1,768,010</u>	<u>156,787</u>	<u>2,730,340</u>	<u>27,695,973</u>
Disbursements					
Current:					
Instruction:					
Regular	11,132,947	0	0	184,314	11,317,261
Special	2,454,162	0	0	1,025,870	3,480,032
Vocational	1,343	0	0	0	1,343
Student Intervention Services	28,032	0	0	0	28,032
Other	679,266	0	0	0	679,266
Support Services:					
Pupils	1,767,216	0	0	0	1,767,216
Instructional Staff	590,042	0	0	43,198	633,240
Board of Education	65,437	0	0	0	65,437
Administration	1,819,621	0	0	20,170	1,839,791
Fiscal	551,957	43,370	0	10,177	605,504
Operation and Maintenance of Plant	1,829,117	0	119,284	45,026	1,993,427
Pupil Transportation	438,376	0	0	0	438,376
Central	85,030	0	0	0	85,030
Extracurricular Activities	478,214	0	0	167,995	646,209
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	893,125	893,125
Community Services	1,000	0	0	162,287	162,287
Capital Outlay	12,214	0	0	142,751	154,965
Debt Service:					
Principal Retirement	25,000	950,000	0	64,000	1,039,000
Interest and Fiscal Charges	14,319	727,263	0	80,031	821,613
<i>Total Disbursements</i>	<u>21,973,293</u>	<u>1,720,633</u>	<u>119,284</u>	<u>2,838,944</u>	<u>26,652,154</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,067,543</u>	<u>47,377</u>	<u>37,503</u>	<u>(108,604)</u>	<u>1,043,819</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	5,185	0	0	0	5,185
Insurance Recoveries	0	0	0	1,514	1,514
<i>Total Other Financing Sources (Uses)</i>	<u>5,185</u>	<u>0</u>	<u>0</u>	<u>1,514</u>	<u>6,699</u>
<i>Net Change in Fund Balances</i>	1,072,728	47,377	37,503	(107,090)	1,050,518
<i>Fund Balances Beginning of Year</i>	<u>2,920,623</u>	<u>698,191</u>	<u>800,902</u>	<u>730,300</u>	<u>5,150,016</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,993,351</u>	<u>\$ 745,568</u>	<u>\$ 838,405</u>	<u>\$ 623,210</u>	<u>\$ 6,200,534</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 5,362,888	\$ 5,362,888	\$ 5,453,608	\$ 90,720
Income Taxes	2,651,586	2,651,586	2,629,274	(22,312)
Intergovernmental	13,023,361	13,153,361	13,210,062	56,701
Investment Income	37,500	37,500	29,621	(7,879)
Tuition and Fees	941,400	941,400	858,681	(82,719)
Gifts and Donations	10,000	10,000	13,401	3,401
Charges for Services	550,000	550,000	553,009	3,009
Rent	32,500	32,500	32,820	320
Miscellaneous	162,050	162,050	152,022	(10,028)
<i>Total Receipts</i>	<u>22,771,285</u>	<u>22,901,285</u>	<u>22,932,498</u>	<u>31,213</u>
Disbursements				
Current:				
Instruction:				
Regular	12,034,807	12,063,171	11,132,928	930,243
Special	2,424,153	2,424,153	2,505,718	(81,565)
Vocational	24,000	24,000	1,343	22,657
Student Intervention Services	0	34,935	28,032	6,903
Other	691,935	657,000	679,266	(22,266)
Support Services:				
Pupils	1,844,903	1,851,440	1,776,276	75,164
Instructional Staff	523,051	523,052	606,425	(83,373)
Board of Education	52,985	52,985	69,313	(16,328)
Administration	1,839,853	1,889,593	1,816,492	73,101
Fiscal	494,426	494,426	598,594	(104,168)
Operation and Maintenance of Plant	2,029,222	2,029,222	1,839,785	189,437
Pupil Transportation	449,716	450,538	449,879	659
Central	106,005	106,005	89,471	16,534
Extracurricular Activities	392,980	400,530	409,178	(8,648)
Operation of Non-Instructional Services:				
Community Services	0	0	1,000	(1,000)
Capital Outlay	0	0	12,214	(12,214)
Debt Service:				
Principal Retirement	25,000	25,000	25,000	0
Interest and Fiscal Charges	14,319	14,319	14,319	0
<i>Total Disbursements</i>	<u>22,947,355</u>	<u>23,040,369</u>	<u>22,055,233</u>	<u>985,136</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(176,070)</u>	<u>(139,084)</u>	<u>877,265</u>	<u>1,016,349</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	250	250	5,185	4,935
Refund of Prior Year Expenditures	0	2,503	2,503	0
<i>Total Other Financing Sources (Uses)</i>	<u>250</u>	<u>2,753</u>	<u>7,688</u>	<u>4,935</u>
<i>Net Change in Fund Balance</i>	<u>(175,820)</u>	<u>(136,331)</u>	<u>884,953</u>	<u>1,021,284</u>
<i>Fund Balance Beginning of Year</i>	<u>2,666,930</u>	<u>2,666,930</u>	<u>2,666,930</u>	<u>0</u>
Prior Year Encumbrances Appropriated	216,838	216,838	216,838	0
<i>Fund Balance End of Year</i>	<u>\$ 2,707,948</u>	<u>\$ 2,747,437</u>	<u>\$ 3,768,721</u>	<u>\$ 1,021,284</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Intergovernmental	\$ 42,983	\$ 42,983	\$ 42,983	\$ 0
Disbursements				
Current:				
Operation and Maintenance of Plant	100,240	225,875	191,949	33,926
Capital Outlay	10,000	10,000	0	10,000
<i>Total Disbursements</i>	110,240	235,875	191,949	43,926
<i>Excess of Receipts Over (Under) Disbursements</i>	(67,257)	(192,892)	(148,966)	43,926
Other Financing Sources (Uses)				
Transfers In	113,804	113,804	113,804	0
<i>Net Change in Fund Balance</i>	46,547	(79,088)	(35,162)	43,926
<i>Fund Balance Beginning of Year</i>	790,663	790,663	790,663	0
Prior Year Encumbrances Appropriated	10,240	10,240	10,240	0
<i>Fund Balance End of Year</i>	<u>\$ 847,450</u>	<u>\$ 721,815</u>	<u>\$ 765,741</u>	<u>\$ 43,926</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2016

	Private Purpose Trust		
	Scholarship	Investment Trust	Agency
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 118,263	\$ 0	\$ 213,051
Cash and Cash Equivalents in Segregated Accounts	0	1,043,666	0
Investments	32,505	961,949	0
<i>Total Assets</i>	<u>\$ 150,768</u>	<u>\$ 2,005,615</u>	<u>\$ 213,051</u>
Net Position			
Held in Trust for Scholarships	\$ 83,039	\$ 0	\$ 0
Held for Student Activities	0	0	151,492
Held in Trust for Individual Investment Account	0	2,005,615	0
Held on Behalf of Other Governments	0	0	61,559
Endowments	67,729	0	0
<i>Total Net Position</i>	<u>\$ 150,768</u>	<u>\$ 2,005,615</u>	<u>\$ 213,051</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	Scholarship	Investment Trust
Additions		
Gifts and Contributions	\$ 24,514	\$ 7,007,525
Interest	491	16,490
<i>Total Additions</i>	<u>25,005</u>	<u>7,024,015</u>
Deductions		
Payments in Accordance with Trust Agreements	<u>23,801</u>	<u>7,853,594</u>
<i>Change in Net Position</i>	1,204	(829,579)
<i>Net Position Beginning of Year</i>	<u>149,564</u>	<u>2,835,194</u>
<i>Net Position End of Year</i>	<u>\$ 150,768</u>	<u>\$ 2,005,615</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Van Wert City School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District, located in Van Wert County, provides educational services as authorized by state and federal guidelines.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Van Wert City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The following component unit is described due to the relationship to the School District:

LifeLinks Community School – LifeLinks Community School (the “Community School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of at-risk students in grades 6 through 12. The Community School operates under a five-member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. Based on the significant services provided by the School District to the Community School, the Community School’s purpose of servicing the students within the School District, and the relationship between the Board of Education of the School District and the Board of Directors of the Community School, the Community School is a component unit of the School District and the financial activity of the Community is presented as a discretely presented component unit of the School District. Separately issued financial statements can be obtained from the Treasurer, Michael Ruen, at 205 Crawford Street, Van Wert, Ohio 45891.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

The School District's reporting entity also includes the following:

Non-Public School - Within the School District's boundaries, St. Mary of the Assumption is operated as a private school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District participates in two jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. These organizations are presented in Notes 15 and 16 to the basic financial statements.

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

A. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Position presents the cash and investment balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function.

Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified cash basis of accounting or draws from the general receipts of the School District.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

FUND FINANCIAL STATEMENTS

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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.

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Maintenance Fund.

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

Bond Retirement Fund – The Bond Retirement Fund is used to account for property tax receipts and transfers from the General Fund to pay principal and interest on the School District's loans and general obligation bonds.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

Classroom Facilities Maintenance Fund - The Classroom Facilities Maintenance Fund is used to account for all transactions related to the maintenance and repair of the facilities funded by OFCC, including preventative maintenance, periodic repairs, and the replacement of facility components for the high school, middle school, elementary school and early childhood center.

The other governmental funds of the School District account for grants and other resources in which the School District is bound to observe constraints imposed upon the use of the resources.

2. 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The investment trust fund accounts for the Van Wert Area Schools Insurance Group, an individual investment account. The private purpose trust funds account for college scholarships for students after graduation and to provide aid to needy school children. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed and non-instructional staff-related activities.

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued expenditures and liabilities) are not recorded in the financial statements.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

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

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

D. Budgetary Process

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

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

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

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

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

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund's appropriations must be approved by the Board of Education.

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

Encumbrances

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

Lapsing of Appropriations

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, with the exception of the investment trust fund, two private purpose trust funds and the classroom facilities construction fund are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents unique to the investment trust fund, two private purpose trust funds and the classroom facilities construction fund are presented as segregated cash and cash equivalents. An investment held specifically for the extracurricular activities fund is also reported separately as "investments."

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

During fiscal year 2016, the School District invested in shares of Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Agricultural Mortgage Corporation, Tennessee Valley Authority, certificates of deposit, a money market account and 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 was \$29,621, which includes \$11,236 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

F. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

G. Inventory and Prepaid Items

On the modified cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

I. Compensated Absences

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

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

J. Long-Term Obligations

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

K. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2016, there was no net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that does not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

FUND FINANCIAL STATEMENTS

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

- a. Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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.

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

- e. 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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

L. Intergovernmental Receipts

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

M. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

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For The Fiscal Year Ended June 30, 2016
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N. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating and capital grants, contributions and interest. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

O. Pensions

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

P. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2016, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

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GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

NOTE 3 – DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

1. United States Treasury bills, bonds, notes, 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;

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Notes To The Basic Financial Statements
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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed forty percent of the interim monies available for investment at any one time.

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

As of June 30, 2016, the School District had \$480 in undeposited cash on hand which is included in the pooled cash and cash equivalents.

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Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the School District's deposits was \$3,468,740. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, \$1,591,164 of the School District's bank balance of \$3,147,121 was exposed to custodial risk as discussed below, while \$1,555,957 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

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

	Cost	% of Total Investments	Maturities		
			< 12 months	1-3 years	> 3 years
Federal National Mortgage Association	\$ 1,723,384	33.78%	\$ 100,067	\$ 647,512	\$ 975,805
Federal Home Loan Bank	375,258	7.36%	125,040	0	250,218
Federal Farm Credit Bank	200,861	3.94%	100,392	100,469	0
Federal Agricultural Mortgage Corporation	98,192	1.93%	0	98,192	0
Federal Home Loan Mortgage Corporation	450,063	8.82%	0	99,004	351,059
Tennessee Valley Authority	100,604	1.97%	0	100,604	0
Money Market	265,266	5.20%	265,266	0	0
STAR Ohio	1,887,120	37.00%	1,887,120	0	0
	<u>\$ 5,100,748</u>	<u>100.00%</u>	<u>\$ 2,477,885</u>	<u>\$ 1,045,781</u>	<u>\$ 1,577,082</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

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At June 30, 2016 the School District's investments in US Government/Agency bonds consist of securities in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Agricultural Mortgage Corporation, Tennessee Valley Authority and Federal Home Loan Mortgage Corporations which are all rated AA+ by S&P Global Ratings. The money market is rated AAAM by S&P Global Ratings.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016, is 49 days and carries a rating of AAAM by S&P Global Ratings.

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

Concentration of Credit Risk — The School District places no limit on the amount of its interim monies it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to forty percent of the interim monies available for investment at any one time. Refer to the table shown on the previous page for percentages of total investments held as of June 30, 2016.

NOTE 4 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
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The School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2015 Second-Half Collections		2016 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 242,910,530	96.43%	\$ 242,597,940	95.62%
Public Utility Personal Property	8,993,220	3.57%	11,102,080	4.38%
Total	\$ 251,903,750	100.00%	\$ 253,700,020	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$52.80		\$53.30	

NOTE 5 – INCOME TAXES

Effective January 1, 2004, the School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund. In May 2013, voters renewed the 1 percent income tax on a continuing basis.

NOTE 6 – PAYMENT IN LIEU OF TAXES

According to State law, Van Wert County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be made to the School District. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires.

NOTE 7 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted for the following insurance coverage.

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Notes To The Basic Financial Statements
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A. Property and Liability

Coverage provided by Ohio Casualty Insurance Company is as follows:

Building and Contents	\$93,383,135
General School District Liability:	
Per Occurrence	1,000,000
Total per Year	2,000,000
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Umbrella Liability:	
Per Occurrence	4,000,000
Total per Year	4,000,000

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

B. Workers Compensation

For fiscal year 2016, the School District participated in the State Workers' Compensation group retrospective rating program and payment system. This program involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured.

CompManagement, Inc. provides administrative, cost control and actuarial services to the group retrospective rating program and rating system. Sheakley UniComp, Inc. is contracted as the workers compensation managed care organization and is responsible for managing the costs related to employee claims as well as tracking employees return to work date.

C. Unemployment

The School District contracted with Sedgwick, Inc. to manage their state unemployment account, including protesting all contestable claims, auditing benefit charges, providing instruction regarding attendance at hearings, tax rate review and verification, and providing customized reporting and education programs upon request.

D. Health Care

The School District participates in the Van Wert Area Schools Insurance Group (VWASIG). VWASIG is a public entity shared risk pool consisting of six members. The School District pays monthly premiums to VWASIG for employee medical, dental, and life insurance benefits. VWASIG is responsible for the management and operation of the program. Upon withdrawal from VWASIG, a member is responsible for the payment of all VWASIG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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Van Wert County, Ohio
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For The Fiscal Year Ended June 30, 2016
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NOTE 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$456,360 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of

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the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement 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 year of service on August 1, 2026.

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,370,960 for fiscal year 2016.

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Net Pension Liability

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 25,341,985	\$ 5,619,558	\$ 30,961,543
Proportion of the Net Pension Liability	0.09169561%	0.09848340%	

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

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

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

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the

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discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 7,792,308	\$ 5,619,558	\$ 3,789,924

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' 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
	100.00 %	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 35,201,928	\$ 25,341,985	\$ 17,003,932

NOTE 9 – POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School 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.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$41,325, \$78,271 and \$42,971, respectively. For fiscal year 2016, 100 percent has been contributed. The full amount has been contributed for fiscal years 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The School 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 Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0 and \$96,183, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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NOTE 10 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Up to five days of unused vacation may be carried forward to the succeeding fiscal year for classified employees. The superintendent, high school principal, and treasurer earn twenty days of vacation per fiscal year and may accumulate up to sixty days. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety-five days for all employees. Upon retirement, payment is made for 25.7 percent of accrued but unused sick leave credit up to a maximum of 50.12 days. Employees who have accumulated one hundred ninety-five days of sick leave may accumulate an additional twenty-five days to be paid upon retirement. This will result in an overall maximum payment of 75.12 days.

B. Employee Insurance Benefits

The School District provides medical, dental, and life insurance to most employees through the Van Wert Area Schools Insurance Group.

NOTE 11 – LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	<u>Interest Rates</u>	<u>Balance at 06/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/2016</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds:						
2006 School Improvement Refunding Bonds:						
Serial Bonds	4% - 4.25%	6,465,000	0	45,000	6,420,000	50,000
Term Bonds	4.25%	2,580,000	0	0	2,580,000	0
Capital Appreciation Bonds	4.23%	5,000	0	0	5,000	0
Accretion on Capital Appreciation Bonds		48,811	17,235	0	66,046	0
2007 School Improvement Refunding Bonds:						
Serial Bonds	4%	8,440,000	0	80,000	8,360,000	0
Capital Appreciation Bonds	4%	60,000	0	0	60,000	60,000
Accretion on Capital Appreciation Bonds		577,552	204,986	0	782,538	0
2012 School Improvement Refunding Bonds:						
Serial Bonds	2% - 4%	825,000	0	825,000	0	0
Total General Obligation Bonds		<u>19,001,363</u>	<u>222,221</u>	<u>950,000</u>	<u>18,273,584</u>	<u>110,000</u>
OASBO School Improvement Loan	5.04%	1,548,000	0	64,000	1,484,000	68,000
Energy Conservation Note Series 2011	3.95%	375,000	0	25,000	350,000	30,000
Total Governmental Activities Long-Term Obligation		<u>\$ 20,924,363</u>	<u>\$ 222,221</u>	<u>\$1,039,000</u>	<u>\$20,107,584</u>	<u>\$ 208,000</u>

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2012 Various Purpose Refunding Bonds - In June 2012, the School District issued \$2,390,000 in voted general obligation bonds for the purpose of refunding a portion of the 2002 School Improvement Bonds originally issued in aggregate principal amount of \$24,999,960 for the purpose of constructing a new high school. The refunding bond issue consists of \$2,390,000 in serial bonds. The serial bonds have an interest rate of 2 to 4 percent, and mature annually beginning December 1, 2013 and ending December 1, 2015. The bonds were retired from the Bond Retirement fund.

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent for the purpose of future debt service payments of \$2,390,000 of the 2002 bond issue. The advance refunding cash flows required for debt service by \$99,518 over the next 4 years.

As of June 30, 2016, the refunded bonds were paid in full.

2006 School Improvement Refunding Bonds - On November 30, 2006, the School District issued bonds, in the amount of \$9,380,000, to partially refund bonds previously issued in fiscal year 2003 for the construction of a new high school. The refunding bond issue includes serial, term, and capital appreciation bonds, in the original amount of \$6,795,000, \$2,580,000 and \$5,000, respectively. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2031. The bonds will be retired through the Bond Retirement fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2025, in the amount of \$970,000. For fiscal year 2016, \$17,235 was accreted on the capital appreciation bonds for a total bond value (original principal plus accumulated accretion) of \$71,046 at fiscal year-end.

At June 30, 2016, \$9,005,000 of the refunded bonds were outstanding.

2007 School Improvement Refunding Bonds - On December 18, 2006, the School District issued bonds, in the amount of \$9,060,000, to partially refund bonds previously issued in fiscal year 2003 for the construction of a new high school. The refunding bond issue includes serial and capital appreciation bonds, in the original amount of \$9,000,000 and \$60,000, respectively. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2025. The bonds will be retired through the Bond Retirement fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, in the amount of \$945,000. For fiscal year 2015, \$204,986 was accreted on the capital appreciation bonds for a total bond value (original principal plus accumulated accretion) of \$842,538 at fiscal year-end.

At June 30, 2016, \$8,420,000 of the refunded bonds were outstanding.

OASBO School Improvement Loan - On June 29, 2006, the School District obtained a loan, in the amount of \$2,000,000, for the acquisition and construction of school facilities. The loan has an interest rate of 5.04 percent. The loan was obtained for a twenty-five year period, with final maturity in fiscal year 2031. The loan is being retired through the Permanent Improvement fund.

Energy Conservation Note Series 2011 – On June 28, 2011, the School District obtained a \$450,348 unvoted general obligation note from Capital One Bank for the purpose of providing energy conservation measures for the School District under H.B. 265. The note was issued for a fifteen year period with final maturity of December 1, 2025. Principal payments are calculated on the weighted average maturity and yield of the obligations, ranging from an initial payment of \$5,348 gradually increasing to \$40,000 at maturity. Interest is made in semi-annual payments at 3.95%. The note is being retired through the General Fund.

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

General Obligation Bonds					
Fiscal Year			Capital	Interest/	
Ending June 30,	Serial	Term	Appreciation	Accretion	Total
2017	50,000	0	60,000	715,513	825,513
2018	1,000,000	0	0	694,512	1,694,512
2019	1,040,000	0	0	653,713	1,693,713
2020	1,025,000	55,000	0	611,244	1,691,244
2021	1,065,000	60,000	0	567,000	1,692,000
2022-2026	4,335,000	1,055,000	5,000	2,123,719	7,518,719
2027-2031	6,265,000	1,410,000	0	842,668	8,517,668
	<u>\$ 14,780,000</u>	<u>\$ 2,580,000</u>	<u>\$ 65,000</u>	<u>\$ 6,208,369</u>	<u>\$ 23,633,369</u>

School Improvement Loan			
Fiscal Year			
Ending June 30,	Principal	Interest	Total
2017	68,000	\$ 74,794	142,794
2018	71,000	71,366	142,366
2019	75,000	67,788	142,788
2020	79,000	64,008	143,008
2021	83,000	60,026	143,026
2022-2026	485,000	232,848	717,848
2027-2031	623,000	97,473	720,473
	<u>\$ 1,484,000</u>	<u>\$ 668,303</u>	<u>\$ 2,152,303</u>

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Fiscal Year Ending June 30,	Energy Conservation Notes		
	Principal	Interest	Total
2017	\$ 30,000	\$ 13,232	43,232
2018	30,000	12,047	42,047
2019	30,000	10,863	40,863
2020	35,000	9,579	44,579
2021	35,000	8,196	43,196
2022-2026	190,000	19,355	209,355
	\$ 350,000	\$ 73,272	\$ 423,272

NOTE 12 – STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future fiscal years.

The following cash basis information describes the changes in the fiscal year set aside amounts for capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2016, the restricted activity was as follows:

	Capital Acquisition
Set Aside Restricted Balance June 30, 2015	\$ 0
Current Year Set Aside Requirement	337,610
Current Year Offsets	(411,543)
Total	\$ (73,933)
Balance Carried Forward to Fiscal Year 2017	\$ 0
Set Aside Restricted Balance June 30, 2016	\$ 0

The School District had offsets during the fiscal year that reduced the capital asset set aside amount below zero. The extra amount may not be used to reduce the set aside requirements of future years as it cannot be carried forward.

NOTE 13 – DONOR RESTRICTED ENDOWMENTS

The School District’s private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$67,729, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for disbursement by the School District is \$83,039 and is included in “Held in trust for scholarships.” State law permits the School District to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year and to aid needy children.

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NOTE 14 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Instruction Endowment	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Total Nonspendable	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Restricted for:					
Permanent Improvement	0	0	0	230,820	230,820
Classroom Facilities Maintenance	0	0	838,405	0	838,405
Debt Service	0	745,568	0	0	745,568
Support Services	0	0	0	29,565	29,565
Student Activities	0	0	0	140,581	140,581
Instruction	0	0	0	60,585	60,585
Food Service	0	0	0	140,608	140,608
Total Restricted	<u>0</u>	<u>745,568</u>	<u>838,405</u>	<u>602,159</u>	<u>2,186,132</u>
Assigned for:					
Instruction	54,137	0	0	0	54,137
Support Services	114,160	0	0	0	114,160
Extracurricular	13,114	0	0	0	13,114
Subsequent Year Appropriations	6,630	0	0	0	6,630
Total Assigned	<u>188,041</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>188,041</u>
Unassigned	<u>3,805,310</u>	<u>0</u>	<u>0</u>	<u>(3,949)</u>	<u>3,801,361</u>
Total Fund Balance	<u>\$ 3,993,351</u>	<u>\$ 745,568</u>	<u>\$ 838,405</u>	<u>\$ 623,210</u>	<u>\$ 6,200,534</u>

As of June 30, 2016, the High Schools That Work fund had a deficit balance of \$3,949.

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NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the City schools of St. Marys, Wapakoneta, Bowling Green and Tiffin. The consortium also serves Eastwood and North Baltimore Local schools, and Exempted schools of Ada and Carey. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2016, the School District paid \$73,587 to NOACSC for various services. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

B. Vantage Career Center

The Vantage Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center, 818 North Franklin Street, Van Wert, Ohio 45891.

NOTE 16 – INSURANCE POOLS

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

The School District participates in a group rating plan (GRP) for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Van Wert Area Schools Insurance Group

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of six members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891.

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NOTE 17 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is 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 School District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, 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 school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 18 – COMMITMENTS

A. Contractual Commitments

At June 30, 2016, the School District has the following contractual commitments:

<u>Contractor</u>	<u>Description</u>	<u>Amount of Contract</u>	<u>Amount Spent</u>	<u>Balance</u>
Richard L. Bowen	Elementary Construction Project	\$ 1,321,042	\$ 1,271,854	\$ 49,188
All-Temp Refrigeration, Inc.	Jefferson Construction Project	219,949	193,206	26,743
Energy Optimizers USA	Elementary Construction Project	25,730	20,730	5,000
Alexander & Bebout Inc.	Conference Room Renovation	105,976	0	105,976
		<u>\$ 1,672,697</u>	<u>\$ 1,485,790</u>	<u>\$ 186,907</u>

B. Encumbrance Commitments

Outstanding encumbrances for governmental funds as of June 30, 2016, include \$181,411 in the General fund, \$72,665 in the Classroom Facilities Maintenance fund and \$151,292 in nonmajor governmental funds. Capital project encumbrances are included in the contractual commitments above.

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NOTE 19 – BUDGETARY BASIS OF ACCOUNTING

The Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis), presented for the General Fund and the Classroom Facilities Maintenance 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 modified cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the General Fund (modified cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the modified cash basis for the General Fund and the Classroom Facilities Maintenance Fund is as follows:

	Net Change in Fund Balance	
	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>
Modified Cash Basis	\$ 1,072,728	\$ 37,503
Funds Budgeted Elsewhere**	(6,767)	0
Adjustment for Encumbrances	<u>(181,008)</u>	<u>(72,665)</u>
Budget Basis	<u>\$ 884,953</u>	<u>\$ (35,162)</u>

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a modified cash basis. This includes administrative educational funds.

NOTE 20 – COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2016, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of modified cash receipts and modified cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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(Continued)

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENT

On September 20, 2016, the District issued \$16,390,000 in school improvement refunding general obligation bonds. The bond issuance consists of serial bonds in the amount of \$16,390,000. The current interest bonds bear interest at rates ranging from 1.50%-4.00% and are scheduled to mature on December 1, 2030.

NOTE 22 – COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL

LifeLinks Community School (the “Community School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of at-risk students in grades 6 through 12. The Community School, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Community School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Community School.

The Community School was approved for operation under a contract with the Board of Education of the Van Wert City School District (the “Sponsor”) for a period of five years commencing with fiscal year July 1, 2015 through June 30, 2020. The Sponsor is responsible for evaluating the performance of the Community School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Community School operates under a five-member Board of Directors (the “Board”). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Community School is considered a component unit of the Van Wert City School District (“the Sponsor”) for reporting purposes, in accordance with Governmental Accounting Standard Board (GASB) Statement No. 61.

A. Significant Accounting Policies

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

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

1. *Basis of Presentation*

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Community School's basic financial statements consist of a Statement of Net Position - Cash Basis and a Statement of Receipts, Disbursements and Change in Cash Basis Net Position.

2. *Basis of Accounting*

Basis of accounting refers to when receipts and disbursements are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the Community School chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

3. *Budgetary Process*

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, with the exception of 5705.391. All other budgetary provisions are not required to be followed, unless specifically provided in the Community School's contract with its Sponsor. The contract between the Community School and its Sponsor does not prescribe a budgetary process for the Community School.

4. *Cash and Cash Equivalents*

Cash held by the Community School is reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. The Community School had no investments in fiscal year 2016.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

5. *Inventory and Prepaid Items*

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

6. *Capital Assets and Depreciation*

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not reflect these items as assets.

7. *Tax Exemption Status*

The Community School is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Community School's status as an integral part of its sponsoring political subdivision, the Van Wert City School District.

8. *Intergovernmental Receipts*

The Community School currently participates in the State Foundation Program and the Public Charter Schools Program. Receipts received from these programs are recognized as operating receipts in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating receipts in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Community School must provide local resources to be used for a specified purpose, and disbursement requirements, in which the resources are provided to the Community School on a reimbursement basis.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Community School. These reviews are conducted to ensure the Community School is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated.

9. *Operating Receipts and Disbursements*

Operating receipts are those receipts that are generated directly from the primary activity of the Community School. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Community School. All receipts and disbursements not meeting this definition are reported as non-operating.

10. *Compensated Absences*

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation and sick. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Community School.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

11. *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 Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

12. *Net Position*

Equity is classified as net position and is displayed in separate components. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Community School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Community School applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

13. *Implementation of New Accounting Policies*

For the fiscal year ended June 30, 2016, the Community School has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Community School.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Community School.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Community School.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Community School.

B. Deposits

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Community School's name. During fiscal year 2016, the Community School and public depositories complied with the provisions of these statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the Community School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Community School. The Community School 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 Community School to a successful claim by the FDIC.

At June 30, 2016, the carrying amount of the Community School's deposits was \$4,063 and the bank balance was \$454,381. Of the Community School's bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation, leaving \$204,381 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent not in the Community School's name. There are no significant statutory restrictions regarding the deposit and investment of funds by the Community School.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

C. Purchased Services

For fiscal year ended June 30, 2016, purchased service disbursements were as follows:

	<u>2016</u>
Professional Services	\$ 513,643
Travel, Mileage and Meetings	<u>949</u>
Total	<u><u>\$ 514,592</u></u>

D. Service Contracts

1. Northwest Ohio Area Computer Services Cooperative

During fiscal year ended June 30, 2016, the Community School utilized the services of Northwest Ohio Area Computer Services Cooperative (“NOACSC”) for instructional, administrative and technical services required for the operation of the Community School. The amount paid to NOACSC during the fiscal year was \$5,893 and is included in purchased services.

2. Van Wert City School District

The Community School Sponsorship Contract between the Community School and Van Wert City School District (the “Sponsor”) outlined the specific payments to be made by the Community School to the Sponsor during fiscal year 2016. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Community School by the Sponsor. The Community School paid the Sponsor \$474,434 during fiscal year 2016 for professional and technical services and \$30,000 to lease classroom and office space.

E. Risk Management

The Community School 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. For the fiscal year ended June 30, 2016, the Community School contracted with Phelan Insurance Agency. Settled claims did not exceed coverage during the last three fiscal years. There has been no reduction in coverage from the prior fiscal year.

F. Operating Lease

On June 10, 2015, the Community School renewed its lease agreement for 15 years with Van Wert City School District for the use of classrooms, offices, and other facilities. The contracted monthly lease amount was \$2,500.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2016
(Continued)

G. Contingencies

1. Grants

The Community School 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Community School. However, the effect of any such disallowed claims on the overall financial position of the Community School at June 30, 2016, if applicable, cannot be determined at this time.

2. Full-Time Equivalency

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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 Community School, 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, 2016 Foundation funding for the Community School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this could result in a material contingency of the Community School.

3. Litigation

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

H. Related Party Transactions

During fiscal year 2016, the Community School received in-kind contributions from its Sponsor. The Sponsor provided facilities, salaries, and other specified overhead expenses for the Community School. All in-kind contributions totaled \$153,977.

I. Compliance

Ohio Adm. Code Section 117-2-03(B) requires the Community School to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2016, the Community School prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Community School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through the Ohio Department of Education)					
Child Nutrition Cluster:					
School Breakfast Program	10.553			\$116,252	
Non Cash Assistance (Food Distribution) National School Lunch Program	10.555				\$78,839
National School Lunch Program	10.555			<u>473,116</u>	
Total Child Nutrition Cluster				<u>589,368</u>	<u>78,839</u>
Team Nutrition Grants	10.574			600	
Total U.S. Department of Agriculture				<u>589,968</u>	<u>78,839</u>
United States Department of Education					
(Passed through the Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010			461,048	
Special Education Cluster:					
Special Education_Grants to States	84.027			453,436	
Special Education_Preschool Grants	84.173			<u>18,738</u>	
Total Special Education Cluster				<u>472,174</u>	
(Passed through the Ohio Department of Health)					
Special Education - Grants for Infants and Families	84.181			32,790	
(Passed through the Ohio Department of Education)					
Improving Teacher Quality State Grants	84.367			71,867	
State Fiscal Stabilization Fund - Race-to-the-Top, Incentive Grants	84.395			<u>5,023</u>	
Total United States Department of Education				<u>1,042,902</u>	
Total Federal Financial Assistance				<u>\$1,632,870</u>	<u>\$78,839</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Van Wert City School District (the School District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School 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 either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225) or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Van Wert City School District
Van Wert County
205 West Crawford Street
Van Wert, Ohio 45891

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 modified cash-basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Van Wert City School District, Van Wert County, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 9, 2017, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 9, 2017



Dave Yost • Auditor of State

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

Van Wert City School District
Van Wert County
205 West Crawford Street
Van Wert, Ohio 45891

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Van Wert City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Van Wert City School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Van Wert City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

May 9, 2017

**VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS
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(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)?	Yes
(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 C.F.R. § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster Special Education Cluster
(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 C.F.R. § 200.520?	No

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

FINDING NUMBER 2016-001

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Adm. Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2016 in accordance with the modified cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District did not file GAAP statements for fiscal year 2016.

The School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows, equity and the disclosures required to accurately and completely present the School District's financial condition.

Officials' Response:

The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore the Board has elected to go with the Other Cash Basis of Accounting method.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to prepare financial statement in accordance with GAAP	Not Corrected	The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore the Board has elected to go with the Other Cash Basis of Accounting method.

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore the Board has elected to go with the Other Cash Basis of Accounting method.	N/A - The District will continue filing OCBOA	Michael Ruen, Treasurer



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VAN WERT CITY SCHOOL DISTRICT

VAN WERT 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
MAY 23, 2017**