

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

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

**DAVE FLEMING, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Wauseon Exempted Village School District  
126 S Fulton St  
Wauseon, OH 43567

We have reviewed the *Independent Auditor's Report* of the Wauseon Exempted Village School District, Fulton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 7, 2017

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

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

Wauseon Exempted Village School District  
Fulton County  
126 S. Fulton Street  
Wauseon, OH 43567

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wauseon Exempted Village School District, Fulton County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Wauseon Exempted Village 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Wauseon Exempted Village 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 Wauseon Exempted Village 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wauseon Exempted Village School District, Fulton County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2017, on our consideration of the Wauseon Exempted Village 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 Wauseon Exempted Village School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
January 5, 2017



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- The District's net position of governmental activities increased \$1,519,348 which represents a 16.02% increase from 2015.
- General revenues accounted for \$17,312,702 in revenue or 80.90% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,087,359 or 19.10% of total revenues of \$21,400,061.
- The District had \$19,880,713 in expenses related to governmental activities; only \$4,087,359 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,312,702 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$17,696,405 in revenues and other financing sources and \$16,335,931 in expenditures. During fiscal 2016, the general fund's fund balance increased \$1,360,474 from a balance of \$2,501,454 to \$3,861,928.
- The bond retirement fund had \$11,296,709 in revenues and other financing sources and \$11,305,244 in expenditures and other financing uses. During fiscal 2016, the bond retirement fund's fund balance decreased \$8,535 from \$3,073,415 to \$3,064,880.

**Using the Basic Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-22 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-60 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 62-68 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2016 and June 30, 2015.

	<b>Net Position</b>	
	Governmental Activities 2016	Governmental Activities 2015
<b><u>Assets</u></b>		
Current and other assets	\$ 16,978,286	\$ 15,286,688
Capital assets, net	<u>47,444,095</u>	<u>48,410,846</u>
Total assets	<u>64,422,381</u>	<u>63,697,534</u>
<b><u>Deferred outflows of resources</u></b>		
Unamortized deferred charges on debt refunding	825,866	301,312
Pensions	<u>2,380,918</u>	<u>1,552,427</u>
Total deferred outflows of resources	<u>3,206,784</u>	<u>1,853,739</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,215,021	1,770,969
Long-term liabilities:		
Due within one year	1,379,144	1,317,011
Due in more than one year:		
Net pension liability	24,047,623	21,324,465
Other amounts	<u>21,156,069</u>	<u>21,763,547</u>
Total liabilities	<u>48,797,857</u>	<u>46,175,992</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for next fiscal year	6,110,463	6,020,155
Pensions	<u>1,715,733</u>	<u>3,869,362</u>
Total deferred inflows of resources	<u>7,826,196</u>	<u>9,889,517</u>
<b><u>Net position</u></b>		
Net investment in capital assets	27,041,534	26,892,028
Restricted	4,538,752	4,784,296
Unrestricted (deficit)	<u>(20,575,174)</u>	<u>(22,190,560)</u>
Total net position	<u>\$ 11,005,112</u>	<u>\$ 9,485,764</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,005,112.

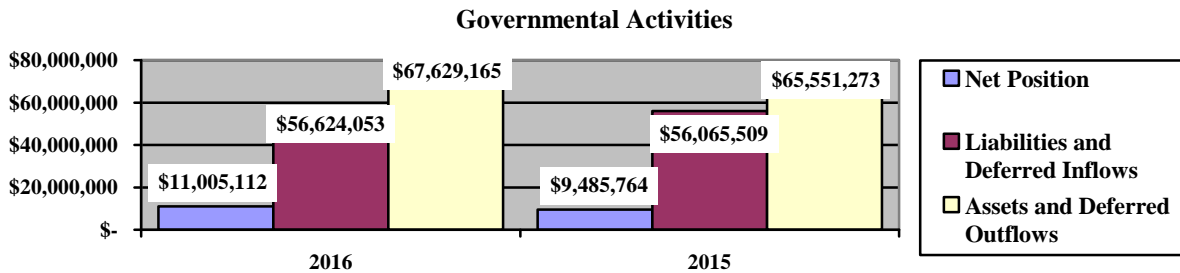
**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

At fiscal year-end, capital assets represented 73.65% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The District's net investment in capital assets at June 30, 2016, was \$27,041,534. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,538,752 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$20,575,174.

The graph below illustrates the District's governmental activities assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and net position at June 30, 2016 and 2015.



The table below shows the changes in net position for governmental activities between 2016 and 2015.

**Change in Net Position**

	Governmental Activities 2016	Governmental Activities 2015
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,573,828	\$ 1,437,900
Operating grants and contributions	2,513,531	2,359,672
Capital grants and contributions	-	1,194,499
General revenues:		
Property taxes	6,939,958	7,255,997
Grants and entitlements	10,213,763	9,816,502
Investment earnings	26,508	12,346
Other	<u>132,473</u>	<u>192,964</u>
Total revenues	<u>21,400,061</u>	<u>22,269,880</u>

- Continued

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Change in Net Position**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 7,864,480	\$ 7,600,588
Special	2,918,604	2,729,508
Vocational	264,623	263,430
Other	1,021,577	895,213
Support services:		
Pupil	644,891	516,324
Instructional staff	438,365	451,064
Board of education	40,902	38,745
Administration	1,343,635	1,399,756
Fiscal	478,354	442,376
Business	83,274	78,445
Operations and maintenance	1,587,019	1,573,560
Pupil transportation	750,401	775,688
Central	203,456	169,812
Operation of non-instructional services:		
Food service operations	845,964	830,964
Other non-instructional services	3,327	9,921
Extracurricular activities	740,686	744,287
Interest and fiscal charges	<u>651,155</u>	<u>915,379</u>
Total expenses	<u>19,880,713</u>	<u>19,435,060</u>
Change in net position	1,519,348	2,834,820
Net position at beginning of year	<u>9,485,764</u>	<u>6,650,944</u>
Net position at end of year	<u>\$ 11,005,112</u>	<u>\$ 9,485,764</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$1,519,348. Total governmental expenses of \$19,880,713 were offset by program revenues of \$4,087,359 and general revenues of \$17,312,702. Program revenues supported 20.56% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 80.16% of total governmental revenue.

Total revenues decreased approximately \$870,000 from fiscal year 2015. The primary reason for this decrease is due to the donation of the East Oak Athletic Annex to the District in fiscal year 2015.

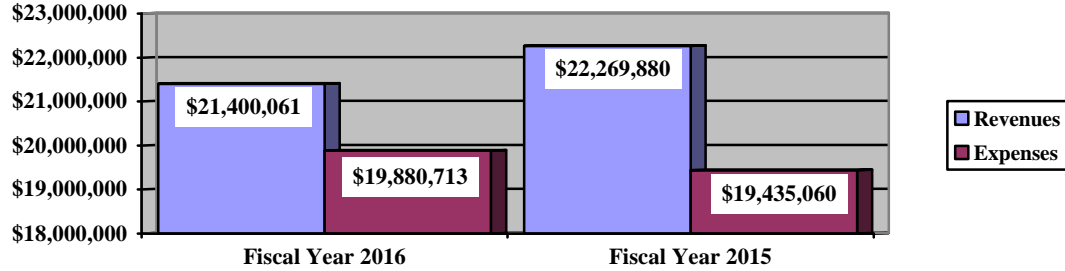
The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,069,284 or 60.71% of total governmental expenses for fiscal year 2016. Expenditures remained consistent with the prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,864,480	\$ 6,801,602	\$ 7,600,588	\$ 6,664,349
Special	2,918,604	1,109,128	2,729,508	1,065,427
Vocational	264,623	162,701	263,430	157,716
Other	1,021,577	934,972	895,213	820,619
Support services:				
Pupil	644,891	636,076	516,324	509,740
Instructional staff	438,365	438,365	451,064	451,064
Board of education	40,902	40,902	38,745	38,745
Administration	1,343,635	1,343,635	1,399,756	1,399,756
Fiscal	478,354	478,354	442,376	442,376
Business	83,274	83,274	78,445	78,445
Operations and maintenance	1,587,019	1,565,133	1,573,560	1,554,811
Pupil transportation	750,401	724,907	775,688	723,673
Central	203,456	196,256	169,812	162,612
Operation of non-instructional services:				
Food service operations	845,964	74,647	830,964	82,067
Other non-instructional services	3,327	(13)	9,921	6,501
Extracurricular activities	740,686	552,260	744,287	(630,291)
Interest and fiscal charges	<u>651,155</u>	<u>651,155</u>	<u>915,379</u>	<u>915,379</u>
<b>Total expenses</b>	<u>\$ 19,880,713</u>	<u>\$ 15,793,354</u>	<u>\$ 19,435,060</u>	<u>\$ 14,442,989</u>



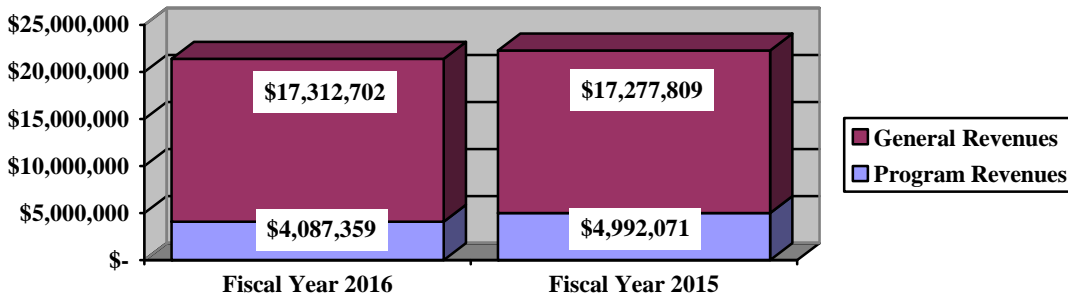
**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The dependence upon tax and other general revenues for governmental activities is apparent as 74.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.44%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

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

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$8,568,783, which is greater than last year's total of \$7,411,357. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase (Decrease)
<b>Major funds:</b>			
General	\$ 3,861,928	\$ 2,501,454	\$ 1,360,474
Bond retirement	3,064,880	3,073,415	(8,535)
Other governmental	<u>1,641,975</u>	<u>1,836,488</u>	<u>(194,513)</u>
<b>Total</b>	<u>\$ 8,568,783</u>	<u>\$ 7,411,357</u>	<u>\$ 1,157,426</u>

**General Fund**

The District's general fund's fund balance increased \$1,360,474. The increase in fund balance can be attributed to increasing revenues.

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

Overall, expenditures increased 2.24%. The increase is due to customary wage and benefit increases.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 5,266,306	\$ 5,419,667	(2.83) %
Tuition	927,158	788,475	17.59 %
Earnings on investments	26,183	12,305	112.78 %
Intergovernmental	11,224,551	10,659,571	5.30 %
Other revenues	<u>251,359</u>	<u>326,165</u>	(22.94) %
Total	<u>\$ 17,695,557</u>	<u>\$ 17,206,183</u>	2.84 %
<b><u>Expenditures</u></b>			
Instruction	\$ 10,831,609	\$ 10,472,640	3.43 %
Support services	5,029,252	5,038,359	(0.18) %
Extracurricular activities	<u>475,070</u>	<u>467,771</u>	1.56 %
Total	<u>\$ 16,335,931</u>	<u>\$ 15,978,770</u>	2.24 %

***Bond Retirement Fund***

The bond retirement fund had \$11,296,709 in revenues and other financing sources and \$11,305,244 in expenditures and other financing uses. During fiscal 2016, the bond retirement fund's fund balance decreased \$8,535 from \$3,073,415 to \$3,064,880. The District undertook a refunding transaction during fiscal year 2016 which will decrease future interest payments.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2016, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources and final budgeted revenues and other financing sources were \$16,936,533 and \$17,385,759, respectively. The increase in budgeted revenues was due to an increase in estimated State Foundation revenue. Actual revenues and other financing sources for fiscal year 2016 were \$17,924,024. This represents a \$538,265 increase from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,301,195 were increased to \$17,551,195 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$16,262,756, which was \$1,288,439 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2016, the District had \$47,444,095 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2016 balances compared to 2015:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2016	2015
Land	\$ 789,312	\$ 789,312
Land improvements	1,528,456	1,647,684
Building and improvements	43,639,149	44,292,627
Furniture, fixtures and equipment	977,953	1,110,745
Vehicles	509,225	570,478
Total	\$ 47,444,095	\$ 48,410,846

Total additions to capital assets for 2016 were \$12,371. Total disposals to capital assets were \$9,092 (net of accumulated depreciation). The total depreciation expense for 2016 was \$970,030.

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

*Debt Administration*

At June 30, 2016, the District had \$20,090,912 in general obligation bonds outstanding. Of this total, \$1,300,000 is due within one year and \$18,790,912 is due in greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Fiscal Year End**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds	\$ 20,090,912	\$ 21,184,409
Total	\$ 20,090,912	\$ 21,184,409

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Current Financial Related Activities**

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

The District realizes over 50% of its general operating funds from the State Foundation program. This amount had shown very little change in fiscal year(s) 2011-2013 due to changes in the funding formula as well as budget constraints at the State level. The level and approach for funding is addressed on a biennial basis at the State level. The loss of Federal Stimulus dollars as well as notification of the elimination of tangible personal property replacement money for Wauseon Schools created new financial challenges for the District in fiscal year 2012. HB59 was the funding mechanism effective for FY2104 and FY2015. Through the new funding formula calculation report referred to as the School Finance Payment Report (SFPR) the District realized an increase of approximately \$630,000 in FY2014, \$785,000 in FY2015 and \$817,000 in FY2016. Although there is an increase in funding, the Wauseon Board of Education and administrative team continue to evaluate the District's revenues and expenditures with careful thought, discussion and consideration to budgetary reductions. The students of the school district have been able to achieve positive results on the district report cards for many years. While significant academic goals were reached by the District, the 2016 Ohio School District Report Cards were lower for all districts than in previous reporting periods. One strong area for the District was seen at the Middle School, which received straight A's in all of the value-added categories and received an ODE Momentum Award. Wauseon Middle School was only two to receive this recognition within Fulton County. The District will review specific areas for possible growth in our efforts to improve our total grade card for the 2016-2017 school year. Recently, the Wauseon High School Graduation Class of 2015 achieved the highest cumulative ACT scores in the past 10 years with every subject area and cumulative score exceeding the state averages.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Fleming, Treasurer, Wauseon Exempted Village School District, 126 South Fulton Street, Wauseon, Ohio 43567-1350.

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

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 9,667,145
Receivables:	
Taxes . . . . .	7,150,685
Accounts. . . . .	6,487
Accrued interest . . . . .	1,640
Intergovernmental . . . . .	71,527
Prepayments . . . . .	57,290
Materials and supplies inventory. . . . .	21,232
Inventory held for resale. . . . .	2,280
Capital assets:	
Nondepreciable capital assets . . . . .	789,312
Depreciable capital assets, net. . . . .	46,654,783
Capital assets, net . . . . .	47,444,095
Total assets. . . . .	64,422,381
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	825,866
Pension - STRS . . . . .	2,034,755
Pension - SERS . . . . .	346,163
Total deferred outflows of resources . . . . .	3,206,784
 <b>Liabilities:</b>	
Accounts payable. . . . .	29,095
Accrued wages and benefits. . . . .	1,574,882
Intergovernmental payable . . . . .	311,084
Pension and postemployment obligation payable. . . . .	250,058
Accrued interest payable . . . . .	49,902
Long-term liabilities:	
Due within one year. . . . .	1,379,144
Due in more than one year:	
Net pension liability (See Note 12) . . . . .	24,047,623
Other amounts due in more than one year . . . . .	21,156,069
Total liabilities . . . . .	48,797,857
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	6,110,463
Pension - STRS. . . . .	1,591,163
Pension - SERS. . . . .	124,570
Total deferred inflows of resources . . . . .	7,826,196
 <b>Net position:</b>	
Net investment in capital assets . . . . .	27,041,534
Restricted for:	
Capital projects . . . . .	651,217
Classroom facilities maintenance . . . . .	745,522
Debt service. . . . .	2,857,901
Locally funded programs . . . . .	319
Federally funded programs . . . . .	5,132
Food service . . . . .	224,097
Student activities . . . . .	52,978
Other purposes . . . . .	1,586
Unrestricted (deficit) . . . . .	(20,575,174)
Total net position. . . . .	\$ 11,005,112

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 7,864,480	\$ 1,011,381	\$ 51,497	\$ (6,801,602)
Special . . . . .	2,918,604	-	1,809,476	(1,109,128)
Vocational . . . . .	264,623	-	101,922	(162,701)
Other . . . . .	1,021,577	-	86,605	(934,972)
Support services:				
Pupil . . . . .	644,891	-	8,815	(636,076)
Instructional staff . . . . .	438,365	-	-	(438,365)
Board of education . . . . .	40,902	-	-	(40,902)
Administration . . . . .	1,343,635	-	-	(1,343,635)
Fiscal . . . . .	478,354	-	-	(478,354)
Business . . . . .	83,274	-	-	(83,274)
Operations and maintenance . . . . .	1,587,019	21,886	-	(1,565,133)
Pupil transportation . . . . .	750,401	14,644	10,850	(724,907)
Central . . . . .	203,456	-	7,200	(196,256)
Operation of non-instructional services:				
Food service operations . . . . .	845,964	338,628	432,689	(74,647)
Other non-instructional services . . . . .	3,327	-	3,340	13
Extracurricular activities . . . . .	740,686	187,289	1,137	(552,260)
Interest and fiscal charges . . . . .	651,155	-	-	(651,155)
Total governmental activities . . . . .	\$ 19,880,713	\$ 1,573,828	\$ 2,513,531	(15,793,354)
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				5,243,805
Debt service . . . . .				1,454,959
Classroom facilities maintenance . . . . .				82,775
Permanent improvements . . . . .				158,419
Grants and entitlements not restricted				
to specific programs . . . . .				10,213,763
Investment earnings . . . . .				26,508
Miscellaneous . . . . .				132,473
Total general revenues . . . . .				17,312,702
Change in net position . . . . .				1,519,348
<b>Net position at beginning of year . . . . .</b>				<b>9,485,764</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 11,005,112</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 5,064,837	\$ 2,856,205	\$ 1,746,103	\$ 9,667,145
<b>Receivables:</b>				
Taxes. . . . .	5,367,052	1,530,640	252,993	7,150,685
Accounts. . . . .	6,487	-	-	6,487
Accrued interest. . . . .	1,640	-	-	1,640
Intergovernmental. . . . .	14,140	-	57,387	71,527
Prepayments. . . . .	57,290	-	-	57,290
Materials and supplies inventory. . . . .	21,232	-	-	21,232
Inventory held for resale. . . . .	2,280	-	-	2,280
Due from other funds. . . . .	2,088	-	-	2,088
Total assets. . . . .	<u>\$ 10,537,046</u>	<u>\$ 4,386,845</u>	<u>\$ 2,056,483</u>	<u>\$ 16,980,374</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 12,711	\$ -	\$ 16,384	\$ 29,095
Accrued wages and benefits. . . . .	1,469,409	-	105,473	1,574,882
Intergovernmental payable. . . . .	309,961	-	1,123	311,084
Pension and postemployment obligation payable. . . . .	237,038	-	13,020	250,058
Due to other funds. . . . .	-	-	2,088	2,088
Total liabilities. . . . .	<u>2,029,119</u>	<u>-</u>	<u>138,088</u>	<u>2,167,207</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	4,585,549	1,308,113	216,801	6,110,463
Delinquent property tax revenue not available. . . . .	47,364	13,852	2,232	63,448
Intergovernmental revenue not available. . . . .	12,154	-	57,387	69,541
Accrued interest not available. . . . .	932	-	-	932
Total deferred inflows of resources. . . . .	<u>4,645,999</u>	<u>1,321,965</u>	<u>276,420</u>	<u>6,244,384</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory. . . . .	21,232	-	-	21,232
Prepays. . . . .	57,290	-	-	57,290
<b>Restricted:</b>				
Debt service. . . . .	-	3,064,880	-	3,064,880
Capital improvements. . . . .	-	-	649,758	649,758
Classroom facilities maintenance. . . . .	-	-	744,749	744,749
Food service operations. . . . .	-	-	248,146	248,146
Special education. . . . .	-	-	89	89
Targeted academic assistance. . . . .	-	-	1	1
Extracurricular. . . . .	-	-	52,978	52,978
Other purposes. . . . .	-	-	1,905	1,905
<b>Committed:</b>				
Other purposes. . . . .	11,000	-	-	11,000
<b>Assigned:</b>				
Student instruction. . . . .	47,776	-	-	47,776
Student and staff support. . . . .	113,523	-	-	113,523
Other purposes. . . . .	2,157	-	-	2,157
Unassigned (deficit). . . . .	<u>3,608,950</u>	<u>-</u>	<u>(55,651)</u>	<u>3,553,299</u>
Total fund balances. . . . .	<u>3,861,928</u>	<u>3,064,880</u>	<u>1,641,975</u>	<u>8,568,783</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,537,046</u>	<u>\$ 4,386,845</u>	<u>\$ 2,056,483</u>	<u>\$ 16,980,374</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	8,568,783
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			47,444,095
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	63,448	
Accrued interest receivable		932	
Intergovernmental receivable		69,541	
Total		69,541	133,921
Unamortized premiums on bonds issued are not recognized in the funds.			(1,308,444)
Unamortized amounts on refundings are not recognized in the funds.			825,866
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(49,902)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - pension		2,380,918	
Deferred inflows - pension		(1,715,733)	
Net pension liability		(24,047,623)	
Total		(24,047,623)	(23,382,438)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(20,090,912)	
Compensated absences		(1,135,857)	
Total		(21,226,769)	(21,226,769)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>11,005,112</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,266,306	\$ 1,460,921	\$ 242,190	\$ 6,969,417
Tuition . . . . .	927,158	-	-	927,158
Transportation fees . . . . .	14,644	-	-	14,644
Earnings on investments . . . . .	26,183	-	180	26,363
Charges for services . . . . .	-	-	338,628	338,628
Extracurricular . . . . .	-	-	132,355	132,355
Classroom materials and fees . . . . .	84,223	-	-	84,223
Other local revenues . . . . .	152,492	-	55,934	208,426
Intergovernmental - intermediate . . . . .	-	-	3,340	3,340
Intergovernmental - state . . . . .	11,224,551	255,953	95,986	11,576,490
Intergovernmental - federal . . . . .	-	-	1,088,897	1,088,897
Total revenues . . . . .	<u>17,695,557</u>	<u>1,716,874</u>	<u>1,957,510</u>	<u>21,369,941</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,318,736	-	214,705	7,533,441
Special . . . . .	2,331,723	-	580,255	2,911,978
Vocational . . . . .	244,100	-	-	244,100
Other . . . . .	937,050	-	86,665	1,023,715
Support services:				
Pupil . . . . .	624,939	-	8,821	633,760
Instructional staff . . . . .	400,956	-	350	401,306
Board of education . . . . .	40,902	-	-	40,902
Administration . . . . .	1,329,374	-	-	1,329,374
Fiscal . . . . .	417,284	55,283	5,956	478,523
Business . . . . .	83,490	-	-	83,490
Operations and maintenance . . . . .	1,274,771	-	232,848	1,507,619
Pupil transportation . . . . .	698,662	-	92	698,754
Central . . . . .	158,874	-	44,494	203,368
Operation of non-instructional services:				
Food service operations . . . . .	-	-	801,718	801,718
Other non-instructional services . . . . .	-	-	3,327	3,327
Extracurricular activities . . . . .	475,070	-	172,803	647,873
Debt service:				
Principal retirement . . . . .	-	1,200,000	-	1,200,000
Interest and fiscal charges . . . . .	-	473,805	-	473,805
Bond issuance costs . . . . .	-	119,072	-	119,072
Total expenditures . . . . .	<u>16,335,931</u>	<u>1,848,160</u>	<u>2,152,034</u>	<u>20,336,125</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,359,626</u>	<u>(131,286)</u>	<u>(194,524)</u>	<u>1,033,816</u>
<b>Other financing sources (uses):</b>				
Premium on refunding bonds . . . . .	-	799,839	-	799,839
Sale of refunding bonds . . . . .	-	8,779,996	-	8,779,996
Sale of capital assets . . . . .	848	-	11	859
Payment to refunded bond escrow agent . . . . .	-	(9,457,084)	-	(9,457,084)
Total other financing sources (uses) . . . . .	<u>848</u>	<u>122,751</u>	<u>11</u>	<u>123,610</u>
Net change in fund balances . . . . .	1,360,474	(8,535)	(194,513)	1,157,426
<b>Fund balances at beginning of year . . . . .</b>	<u>2,501,454</u>	<u>3,073,415</u>	<u>1,836,488</u>	<u>7,411,357</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,861,928</u>	<u>\$ 3,064,880</u>	<u>\$ 1,641,975</u>	<u>\$ 8,568,783</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Net change in fund balances - total governmental funds** \$ 1,157,426

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	12,371	
Current year depreciation		(970,030)	
<b>Total</b>		<b>(957,659)</b>	<b>(957,659)</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (9,092)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(29,459)	
Earnings on investments		325	
Intergovernmental		59,254	
<b>Total</b>		<b>30,120</b>	<b>30,120</b>

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 1,200,000

Issuance of refunding bonds is recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. (8,779,996)

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:

Bonds refunded		8,780,000	
Deferred charges on refunding		677,084	
<b>Total</b>		<b>9,457,084</b>	<b>9,457,084</b>

Premiums on refunding bonds are amortized over the life of the issuance in the statement of activities. (799,839)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable		9,221	
Accreted interest on capital appreciation bonds		(106,507)	
Amortization of bond premiums		86,717	
Amortization of deferred charges		(47,709)	
<b>Total</b>		<b>(58,278)</b>	<b>(58,278)</b>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	\$ 1,393,855
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,134,893)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>20,620</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 1,519,348</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,111,991	\$ 5,247,582	\$ 5,247,575	\$ (7)
Tuition. . . . .	895,070	918,811	927,158	8,347
Transportation fees. . . . .	15,626	16,040	15,867	(173)
Earnings on investments . . . . .	13,182	13,532	23,094	9,562
Classroom materials and fees . . . . .	11,764	12,076	8,833	(3,243)
Other local revenues . . . . .	169,719	174,221	173,846	(375)
Intergovernmental - state . . . . .	10,683,374	10,966,741	11,508,283	541,542
Total revenues . . . . .	<u>16,900,726</u>	<u>17,349,003</u>	<u>17,904,656</u>	<u>555,653</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,274,498	7,379,615	7,137,396	242,219
Special. . . . .	2,502,760	2,538,925	2,337,782	201,143
Vocational. . . . .	267,372	271,235	254,667	16,568
Other. . . . .	1,011,481	1,026,097	937,267	88,830
Support services:				
Pupil. . . . .	644,882	654,200	604,105	50,095
Instructional staff . . . . .	422,052	428,151	403,526	24,625
Board of education . . . . .	46,242	46,910	42,278	4,632
Administration. . . . .	1,392,516	1,412,638	1,329,091	83,547
Fiscal . . . . .	580,907	589,301	466,980	122,321
Business . . . . .	85,748	86,987	82,764	4,223
Operations and maintenance. . . . .	1,499,592	1,521,261	1,329,026	192,235
Pupil transportation . . . . .	819,280	831,118	688,519	142,599
Central. . . . .	140,912	142,948	109,843	33,105
Extracurricular activities. . . . .	509,030	516,385	472,526	43,859
Total expenditures . . . . .	<u>17,197,272</u>	<u>17,445,771</u>	<u>16,195,770</u>	<u>1,250,001</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(296,546)</u>	<u>(96,768)</u>	<u>1,708,886</u>	<u>1,805,654</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	25,837	26,522	18,520	(8,002)
Refund of prior year's receipts. . . . .	(5,347)	(5,424)	(5,424)	-
Transfers (out). . . . .	(73,932)	(75,000)	(61,562)	13,438
Advances (out) . . . . .	(24,644)	(25,000)	-	25,000
Sale of capital assets . . . . .	9,970	10,234	848	(9,386)
Total other financing sources (uses) . . . . .	<u>(68,116)</u>	<u>(68,668)</u>	<u>(47,618)</u>	<u>21,050</u>
Net change in fund balance . . . . .	(364,662)	(165,436)	1,661,268	1,826,704
<b>Fund balance at beginning of year . . . . .</b>	3,125,547	3,125,547	3,125,547	-
<b>Prior year encumbrances appropriated . . . . .</b>	101,790	101,790	101,790	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,862,675</u>	<u>\$ 3,061,901</u>	<u>\$ 4,888,605</u>	<u>\$ 1,826,704</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 367,707	\$ 126,370
Receivables:		
Accrued interest. . . . .	183	-
Total assets. . . . .	367,890	\$ 126,370
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 6,771
Due to students. . . . .	-	119,599
Total liabilities . . . . .	-	\$ 126,370
<b>Net position:</b>		
Held in trust for scholarships . . . . .	367,890	
Total net position. . . . .	\$ 367,890	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 1,627
Gifts and contributions. . . . .	8,965
Total additions. . . . .	10,592
<b>Deductions:</b>	
Scholarships awarded . . . . .	32,989
Change in net position . . . . .	(22,397)
<b>Net position at beginning of year. . . . .</b>	<b>390,287</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 367,890</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1865 through the consolidation of existing land areas and school districts. The District serves an area of approximately fifty-four square miles. It is located in Fulton County, and includes all of the Village of Wauseon and portions of Clinton, Dover, and York Townships. It is staffed by 91 classified employees and 126 certified teaching personnel who provide services to 1,808 students and other community members. The District currently operates four instructional buildings.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$157,561. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Northern Buckeye Education Council

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

Four County Career Center

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

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.



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

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

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

*INSURANCE POOLS*

Ohio School Plan

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

Northern Buckeye Education Council Employee Insurance Benefits Program

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

Northern Buckeye Education Council Workers' Compensation Group Rating Plan

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

*RELATED ORGANIZATION*

Wauseon Public Library

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

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

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

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*GOVERNMENTAL FUNDS*

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

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

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

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

*FIDUCIARY FUNDS*

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

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

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

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

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

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

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

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

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

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Tax Budget:

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

Estimated Resources:

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

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

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

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the fund legal level of control. Any revisions that alter appropriations at the fund level must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, all supplemental appropriations were legally enacted.

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

**F. Cash and Investments**

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

During fiscal year 2016, investments were limited to federal agency securities, nonnegotiable certificates of deposit and a U.S. Government money market fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2016 amounts to \$26,183, which includes \$14,072 assigned from other funds.

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

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

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

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

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

**H. Capital Assets**

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

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

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

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

**I. Compensated Absences**

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

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

**K. Bond Premium and Discount/Accounting Gain or Loss**

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

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



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

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

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

**L. Fund Balance**

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

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

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

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

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

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

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

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

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

**M. Net Position**

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

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Interfund Activity**

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

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

**Q. Interfund Balances**

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**R. Pensions**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items in fiscal year 2016.

**T. Fair Value**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

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

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

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

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

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

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

**B. Deficit Fund Balances**

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 31,717
Title I	23,934

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

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

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

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$150 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

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

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

**A. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$9,146,876. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$8,700,780 of the District’s bank balance of \$9,449,863 was exposed to custodial risk as discussed below, while \$749,083 was covered by the FDIC.

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

**B. Investments**

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

Investment type	Fair value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 125,015	\$ 125,015	\$ -	\$ -	\$ -	\$ -
FFCB	125,437	-	-	125,437	-	-
FHLMC	380,625	-	124,986	-	255,639	-
FNMA	250,587	-	-	125,423	-	125,164
U.S. government money market mutual fund	132,532	132,532	-	-	-	-
<b>Total investments</b>	<b>\$ 1,014,196</b>	<b>\$ 257,547</b>	<b>\$ 124,986</b>	<b>\$ 250,860</b>	<b>\$ 255,639</b>	<b>\$ 125,164</b>

The weighted average maturity of investments is 1.15 years.

The District’s investments in federal agency securities are valued using quoted market prices (Level 1 inputs).

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

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

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

*Credit Risk:* The U.S. government money market mutual fund carries a rating of AAAm by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
FHLB	\$ 125,015	12.33
FFCB	125,437	12.37
FHLMC	380,625	37.53
FNMA	250,587	24.71
U.S. government money market mutual fund	<u>132,532</u>	<u>13.06</u>
Total investments	<u>\$ 1,014,196</u>	<u>100.00</u>

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,146,876
Investments	1,014,196
Cash on hand	<u>150</u>
Total	<u>\$ 10,161,222</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 9,667,145
Private purpose trust fund	367,707
Agency fund	<u>126,370</u>
Total	<u>\$ 10,161,222</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances consisted of the following due to/from other funds at June 30, 2016, as reported on the fund statements:

<u>Due to the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 2,088</u>

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

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

**NOTE 6 - PROPERTY TAXES**

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

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

The District receives property taxes from Fulton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$734,139 in the general fund, \$208,675 in the bond retirement fund, \$22,238 in the permanent improvement fund, a nonmajor governmental fund and \$11,722 in the classroom facilities maintenance fund, a nonmajor governmental fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2015 was \$715,408 in the general fund, \$203,598 in the bond retirement fund, \$21,672 in the permanent improvement fund, a nonmajor governmental fund and \$11,426 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.



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

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 188,634,590	95.55	\$ 189,686,550	95.34
Public utility personal	<u>8,787,760</u>	<u>4.45</u>	<u>9,264,150</u>	<u>4.66</u>
Total	<u>\$ 197,422,350</u>	<u>100.00</u>	<u>\$ 198,950,700</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.13		\$ 47.08	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of taxes, accounts, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 7,150,685
Accounts	6,487
Accrued interest	1,640
Intergovernmental	<u>71,527</u>
Total	<u>\$ 7,230,339</u>

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

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 789,312	\$ -	\$ -	\$ 789,312
Total capital assets, not being depreciated	<u>789,312</u>	<u>-</u>	<u>-</u>	<u>789,312</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,609,875	-	-	2,609,875
Buildings and improvements	49,356,359	-	-	49,356,359
Furniture, fixtures and equipment	1,876,506	5,955	(12,834)	1,869,627
Vehicles	1,589,532	6,416	-	1,595,948
Total capital assets, being depreciated	<u>55,432,272</u>	<u>12,371</u>	<u>(12,834)</u>	<u>55,431,809</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(962,191)	(119,228)	-	(1,081,419)
Buildings and improvements	(5,063,732)	(653,478)	-	(5,717,210)
Furniture, fixtures and equipment	(765,761)	(129,655)	3,742	(891,674)
Vehicles	(1,019,054)	(67,669)	-	(1,086,723)
Total accumulated depreciation	<u>(7,810,738)</u>	<u>(970,030)</u>	<u>3,742</u>	<u>(8,777,026)</u>
Depreciable capital assets, net	<u>47,621,534</u>	<u>(957,659)</u>	<u>(9,092)</u>	<u>46,654,783</u>
Governmental activities capital assets, net	<u>\$ 48,410,846</u>	<u>\$ (957,659)</u>	<u>\$ (9,092)</u>	<u>\$ 47,444,095</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 447,954
Special	59,567
Vocational	24,563
<u>Support services:</u>	
Pupil	19,880
Instructional staff	36,418
Administration	56,919
Operations and maintenance	92,459
Pupil transportation	61,146
Extracurricular activities	121,556
Food service operations	49,568
Total depreciation expense	<u>\$ 970,030</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
Classroom facilities and school improvement bonds - series 2007	\$ 12,090,000	\$ -	\$ (9,275,000)	\$ 2,815,000	\$ 515,000
Refunding bonds - series 2015:					
Current interest	-	8,145,000	-	8,145,000	25,000
Capital appreciation	-	634,996	-	634,996	-
Accreted interest	-	9,197	-	9,197	-
Refunding bonds - series 2014:					
Current interest	6,975,000	-	(705,000)	6,270,000	760,000
Capital appreciation	2,054,987	-	-	2,054,987	-
Accreted interest	<u>64,422</u>	<u>97,310</u>	<u>-</u>	<u>161,732</u>	<u>-</u>
Total general obligation bonds	<u>21,184,409</u>	<u>8,886,503</u>	<u>(9,980,000)</u>	<u>20,090,912</u>	<u>1,300,000</u>
<u>Other long-term obligations:</u>					
Net pension liability	21,324,465	2,723,158	-	24,047,623	-
Compensated absences	<u>1,196,006</u>	<u>11,690</u>	<u>(71,839)</u>	<u>1,135,857</u>	<u>79,144</u>
Total governmental activities long-term obligations	<u>\$ 43,704,880</u>	<u>\$ 11,621,351</u>	<u>\$ (10,051,839)</u>	45,274,392	<u>\$ 1,379,144</u>
				Add: premium on bonds	1,308,444
				Total on statement of net position	<u>\$ 46,582,836</u>

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

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

*Classroom Facilities and Improvement Refunding Bonds - Series 2014* - On September 24, 2014, the District issued general obligation bonds (series 2014 refunding bonds) to advance refund the series 2005 current interest general obligation bonds and portions of the series 2007 current interest general obligation bonds. The issuance proceeds of \$9,484,325, plus a \$100,907 contribution from the District's bond retirement fund, were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was \$8,425,000 at June 30, 2016.

At June 30, 2016, the refunding issue is comprised of both current interest bonds, par value \$6,975,000, and capital appreciation bonds, par value \$2,054,987. The interest rate on the current interest bonds ranges from 2.00-3.00%. The capital appreciation bonds mature on December 1, 2021 (approximate initial offering yield to maturity 2.47%), and December 1, 2022 (approximate initial offering yield to maturity 2.77%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,900,000. The bonds will be retired through the bond retirement fund. A total of \$161,732 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2016.

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

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

*Classroom Facilities and Improvement Refunding Bonds - Series 2015* - On November 19, 2015, the District issued general obligation bonds (series 2015 refunding bonds) to advance refund a portion of the series 2007 current interest general obligation bonds. The issuance proceeds of \$9,579,835 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was \$8,780,000 at June 30, 2016.

At June 30, 2016, the refunding issue is comprised of both current interest bonds, par value \$8,145,000, and capital appreciation bonds, par value \$634,996. The interest rate on the current interest bonds ranges from 2.00-4.00%. The capital appreciation bonds mature on December 1, 2026 (approximate initial offering yield to maturity 2.90%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$855,000. The bonds will be retired through the bond retirement fund. A total of \$9,197 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2016.

The reacquisition price exceeded the net carrying amount of the old debt by \$572,263. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 19 years by \$908,320 and resulted in an economic gain of \$733,099.

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

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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,300,000	\$ 574,300	\$ 1,874,300	\$ -	\$ -	\$ -
2018	1,355,000	526,900	1,881,900	-	-	-
2019	1,400,000	484,375	1,884,375	-	-	-
2020	1,445,000	444,350	1,889,350	-	-	-
2021	1,495,000	399,800	1,894,800	-	-	-
2022 - 2026	2,430,000	1,766,962	4,196,962	2,054,987	845,013	2,900,000
2027 - 2031	3,600,000	1,267,250	4,867,250	634,996	220,004	855,000
2032 - 2036	4,205,000	344,900	4,549,900	-	-	-
Total	<u>\$ 17,230,000</u>	<u>\$ 5,808,837</u>	<u>\$ 23,038,837</u>	<u>\$ 2,689,983</u>	<u>\$ 1,065,017</u>	<u>\$ 3,755,000</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$1,050,460 (including available funds of \$3,064,880) and an unvoted debt margin of \$198,951.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTE 10 - RISK MANAGEMENT**

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

Coverage provided by the Ohio School Plan is as follows:

General Liability	
General Aggregate Limit	\$5,000,000
Blanket Property (\$1,000 deductible)	65,195,277
Vehicle Liability	3,000,000
Uninsured/Underinsured Motorists	1,000,000

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

For fiscal year 2016, the District participated in the Ohio School Plan (“the Plan”), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)**

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

**B. Health Care Benefits**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$284,796 for fiscal year 2016. Of this amount, \$26,075 is reported as pension and postemployment obligation payable.



**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. 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 District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,109,059 for fiscal year 2016. Of this amount, \$191,764 is reported as pension and postemployment obligation payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,763,085	\$ 20,284,538	\$ 24,047,623
Proportion of the net pension liability	0.06594850%	0.07339611%	
Pension expense	\$ 238,129	\$ 896,764	\$ 1,134,893

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 60,658	\$ 925,696	\$ 986,354
Changes in proportionate share	709	-	709
District contributions subsequent to the measurement date	<u>284,796</u>	<u>1,109,059</u>	<u>1,393,855</u>
Total deferred outflows of resources	<u>\$ 346,163</u>	<u>\$2,034,755</u>	<u>\$2,380,918</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 124,570	\$1,477,617	\$1,602,187
Changes in proportionate share	<u>-</u>	<u>113,546</u>	<u>113,546</u>
Total deferred inflows of resources	<u>\$ 124,570</u>	<u>\$1,591,163</u>	<u>\$1,715,733</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$1,393,855 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (45,087)	\$ (363,532)	\$ (408,619)
2018	(45,087)	(363,532)	(408,619)
2019	(45,089)	(363,534)	(408,623)
2020	<u>72,060</u>	<u>425,131</u>	<u>497,191</u>
Total	<u>\$ (63,203)</u>	<u>\$ (665,467)</u>	<u>\$ (728,670)</u>

***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 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 5,218,047	\$ 3,763,085	\$ 2,537,888

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

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

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

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

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

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

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 28,176,753	\$ 20,284,538	\$ 13,610,493

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

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

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

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

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, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 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. For fiscal year 2016, the District's surcharge obligation was \$32,219.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$32,219, \$49,654, and \$34,505, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board 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 years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$76,889, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 1,661,268
Net adjustment for revenue accruals	(284,489)
Net adjustment for expenditure accruals	(126,313)
Net adjustment for other sources/uses	(13,096)
Funds budgeted elsewhere	30,495
Adjustment for encumbrances	92,609
GAAP basis	<u>\$ 1,360,474</u>

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

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2016.



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

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

**NOTE 15 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**C. Foundation Funding**

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

**NOTE 16 - SET-ASIDES**

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

During fiscal year 2007, the District issued \$18,835,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$18,819,092 at June 30, 2016.

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

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

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

**NOTE 16 - SET-ASIDES - (Continued)**

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	318,479
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(322,917)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (4,438)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General fund	\$ 92,812
Other governmental	<u>183,828</u>
Total	<u>\$ 276,640</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.06594850%	0.06593000%	0.06593000%
District's proportionate share of the net pension liability	\$ 3,763,085	\$ 3,336,680	\$ 3,920,645
District's covered-employee payroll	\$ 1,985,395	\$ 1,915,786	\$ 1,856,236
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	211.21%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Note: Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.07339611%	0.07395241%	0.07395241%
District's proportionate share of the net pension liability	\$ 20,284,538	\$ 17,987,785	\$ 21,426,932
District's covered-employee payroll	\$ 7,779,871	\$ 7,555,892	\$ 8,136,062
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.73%	238.06%	263.36%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Note: Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 284,796	\$ 261,675	\$ 265,528	\$ 256,903
Contributions in relation to the contractually required contribution	<u>(284,796)</u>	<u>(261,675)</u>	<u>(265,528)</u>	<u>(256,903)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,034,257	\$ 1,985,395	\$ 1,915,786	\$ 1,856,236
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 259,829	\$ 231,118	\$ 245,799	\$ 184,096	\$ 179,258	\$ 181,550
<u>(259,829)</u>	<u>(231,118)</u>	<u>(245,799)</u>	<u>(184,096)</u>	<u>(179,258)</u>	<u>(181,550)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,931,814	\$ 1,838,648	\$ 1,815,355	\$ 1,870,894	\$ 1,825,438	\$ 1,699,906
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,109,059	\$ 1,089,182	\$ 982,266	\$ 1,057,688
Contributions in relation to the contractually required contribution	<u>(1,109,059)</u>	<u>(1,089,182)</u>	<u>(982,266)</u>	<u>(1,057,688)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,921,850	\$ 7,779,871	\$ 7,555,892	\$ 8,136,062
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,140,542	\$ 1,093,368	\$ 1,057,788	\$ 1,066,828	\$ 1,037,592	\$ 998,584
<u>(1,140,542)</u>	<u>(1,093,368)</u>	<u>(1,057,788)</u>	<u>(1,066,828)</u>	<u>(1,037,592)</u>	<u>(998,584)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,773,400	\$ 8,410,523	\$ 8,136,831	\$ 8,206,369	\$ 7,981,477	\$ 7,681,415
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

## **SUPPLEMENTARY INFORMATION**

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Cluster:</b>			
(D)(E) School Breakfast Program	10.553	2016	\$ 60,897
(D)(E) National School Lunch Program	10.555	2016	311,791
(C)(D) National School Lunch Program - Food Donation	10.555	2016	27,781
<b>Total National School Lunch Program</b>			<u>339,572</u>
<b>Total Child Nutrition Cluster</b>			<u>400,469</u>
<b>Total U.S. Department of Agriculture</b>			<u>400,469</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
Title I Grants to Local Educational Agencies	84.010	2015	31,711
Title I Grants to Local Educational Agencies	84.010	2016	305,896
<b>Total Title I Grants to Local Educational Agencies</b>			<u>337,607</u>
<b>Special Education Cluster:</b>			
(F) Special Education_Grants to States	84.027	2015	29,777
(F) Special Education_Grants to States	84.027	2016	297,929
<b>Total Special Education_Grants to States</b>			<u>327,706</u>
(F) Special Education_Preschool Grants	84.173	2015	409
(F) Special Education_Preschool Grants	84.173	2016	7,742
<b>Total Special Education_Preschool Grants</b>			<u>8,151</u>
<b>Total Special Education Cluster</b>			<u>335,857</u>
English Language Acquisition Grants	84.365	2016	7,232
Improving Teacher Quality State Grants	84.367	2016	46,454
<b>Total U.S. Department of Education</b>			<u>727,150</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,127,619</u>

**Notes to the Schedule of Expenditures of Federal Awards:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Wauseon Exempted Village School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. 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 Wauseon Exempted Village School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Wauseon Exempted Village School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Cluster" in determining major programs.
- (G) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has elected not to use the 10% de minimis indirect cost rate.



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*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and On  
Compliance and Other Matters Required by *Government Auditing Standards***

Wauseon Exempted Village School District  
Fulton County  
126 S. Fulton Street  
Wauseon, OH 43567

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wauseon Exempted Village School District, Fulton County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Wauseon Exempted Village School District's basic financial statements and have issued our report thereon dated January 5, 2017.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Wauseon Exempted Village 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 Wauseon Exempted Village 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 Wauseon Exempted Village 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.

Board of Education  
Wauseon Exempted Village School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Wauseon Exempted Village 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Wauseon Exempted Village 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 Wauseon Exempted Village School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
January 5, 2017



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to the  
Major Federal Program and on Internal Control Over Compliance  
Required by the Uniform Guidance**

Wauseon Exempted Village School District  
Fulton County  
126 S. Fulton Street  
Wauseon, OH 43567

To the Board of Education:

***Report on Compliance for the Major Federal Program***

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

***Management's Responsibility***

The Wauseon Exempted Village 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 Wauseon Exempted Village School District's compliance for the Wauseon Exempted Village School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wauseon Exempted Village 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 the Wauseon Exempted Village School District's major program. However, our audit does not provide a legal determination of the Wauseon Exempted Village School District's compliance.

Board of Education  
Wauseon Exempted Village School District

***Opinion on the Major Federal Program***

In our opinion, the Wauseon Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

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



Julian & Grube, Inc.  
January 5, 2017



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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

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

<b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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# Dave Yost • Auditor of State

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT**

**FULTON COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 21, 2017**