



**CLARK SCHAEFER HACKETT**  
BUSINESS ADVISORS

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

**SINGLE AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Wapakoneta City School District  
1102 Gardenia Drive  
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditor's Report* of the Wapakoneta City School District, Auglaize County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

March 23, 2022

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## TABLE OF CONTENTS

Independent Auditors' Report .....	1 – 2
Management's Discussion and Analysis.....	3 – 12
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis .....	13
Statement of Activities – Cash Basis .....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds.....	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds .....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual – Budget Basis - General Fund.....	17
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds .....	18
Notes to the Basic Financial Statements.....	19 – 51
Schedule of Expenditures of Federal Awards.....	52
Notes to the Schedule of Expenditures of Federal Awards .....	53
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	54 – 55
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	56 – 57
Schedule of Findings and Questioned Costs.....	58 – 59
District's Schedule of Prior Audit Findings .....	60
District's Corrective Action Plan .....	61

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Wapakoneta City School District  
1102 Gardenia Drive  
Wapakoneta, Ohio 45895

### Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wapakoneta City School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, the respective changes in cash financial position thereof, and the budgetary fund comparison for the General Fund for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters***Supplementary and Other Information*

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and management's discussion and analysis, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 26, 2022



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The management's discussion and analysis of the Wapakoneta City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2021 are as follows:

- The total cash-basis net position of the District increased \$1,051,432 or 3.59% from fiscal year 2020's net cash position.
- General receipts accounted for \$31,104,367 or 79.14% of total governmental activities receipts. Program specific receipts accounted for \$8,199,664 or 20.86% of total governmental activities receipts.
- The District had \$38,252,599 in disbursements related to governmental activities; \$8,199,664 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts of \$31,104,367 were adequate to provide for these programs.
- The District's major funds are the general fund and the bond retirement fund. The general fund, the District's largest major fund, had total receipts and other financing sources of \$31,170,715 in 2021. The disbursements and other financing uses of the general fund totaled \$29,851,500. The general fund's balance increased \$1,319,215 or 5.73% from 2020's net cash position.
- The bond retirement fund had total receipts of \$1,997,091 in 2021. The disbursements of the bond retirement fund, totaled \$1,896,270 in 2021. The bond retirement fund's balance increased \$100,821 or 2.95% from 2020 to 2021.

**Using these Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as is applicable to the District's cash basis of accounting.

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

**Reporting the District as a Whole**

***Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis***

The statement of net position – cash basis and the statement of activities – cash basis answer the question, "How did the District perform financially during 2021?" These statements only present the District's net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This financial reporting framework takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds, whose activity or balances are not large enough to warrant separate reporting, is aggregated and presented in a single column.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are custodial funds.

***Notes to the Financial Statements***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**The District as a Whole**

The table below provides a summary of the District's net position for 2021 and 2020.

	<b>Net Position (Cash Basis)</b>	
	Governmental Activities	Governmental Activities
	<u>2021</u>	<u>2020</u>
<u>Assets:</u>		
Equity in pooled cash and investments	\$ 30,338,113	\$ 29,286,681
Total assets	<u>\$ 30,338,113</u>	<u>\$ 29,286,681</u>
<u>Net Position:</u>		
Restricted	\$ 6,061,580	\$ 6,283,456
Unrestricted	<u>24,276,533</u>	<u>23,003,225</u>
Total net position	<u>\$ 30,338,113</u>	<u>\$ 29,286,681</u>

Total cash basis net position of the District increased \$1,051,432, which represents a 3.59% increase from the District's net position at June 30, 2020. A portion of the District's net position, \$6,061,580, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$24,276,533 may be used to meet the District's ongoing obligations to the students and creditors.

The following table shows the changes in net position for fiscal years 2021 and 2020.

	<b>Change in Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2021</u>	<u>2020</u>
<u>Receipts:</u>		
Program receipts:		
Charges for services and sales	\$ 2,107,832	\$ 2,439,508
Operating grants and contributions	5,741,796	4,182,382
Capital grants and contributions	350,036	446,075
General receipts:		
Property taxes	9,535,402	9,165,224
Income taxes	3,655,415	3,781,614
Grants and entitlements	17,314,659	16,841,437
Investment earnings	293,662	556,626
Proceeds from lease purchase agreement	-	1,712,438
Miscellaneous	<u>305,229</u>	<u>299,061</u>
Total receipts	<u>39,304,031</u>	<u>39,424,365</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<b>Change in Net Position - (Continued)</b>	
	Governmental Activities 2021	Governmental Activities 2020
	<u>2021</u>	<u>2020</u>
<b><u>Disbursements:</u></b>		
Instruction:		
Regular	\$ 16,896,338	\$ 15,579,357
Special	4,022,175	3,923,609
Vocational	406,399	411,758
Other	267,882	285,316
Support services:		
Pupil	2,170,986	2,076,811
Instructional staff	892,631	906,602
Board of education	16,403	19,413
Administration	2,512,733	2,359,687
Fiscal	617,321	623,593
Business	3,621	7,392
Operations and maintenance	3,394,436	3,849,737
Pupil transportation	1,420,134	1,445,052
Central	127,831	137,637
Operation of non-instructional services:		
Food service operations	1,334,866	1,227,383
Other non-instructional services	12,195	28,211
Extracurricular activities	1,143,458	1,024,806
Facilities acquisition and construction	831,268	1,444,841
Debt service:		
Principal retirement	252,548	101,193
Interest and fiscal charges	806,388	745,206
Accretion on capital appreciation bonds	<u>1,122,986</u>	<u>1,122,120</u>
Total disbursements	<u>38,252,599</u>	<u>37,319,724</u>
Change in net position	1,051,432	2,104,641
Net position at beginning of year	<u>29,286,681</u>	<u>27,182,040</u>
Net position at end of year	<u>\$ 30,338,113</u>	<u>\$ 29,286,681</u>

**Governmental Activities**

Governmental cash assets increased by \$1,051,432 from June 30, 2020 to June 30, 2021; total governmental disbursements of \$38,252,599 were offset by program receipts of \$8,199,664 and general receipts of \$31,104,367. Program receipts supported 21.44% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements receipts. These receipt sources represent 77.61% of total governmental receipts. Real estate property is reappraised every six years.

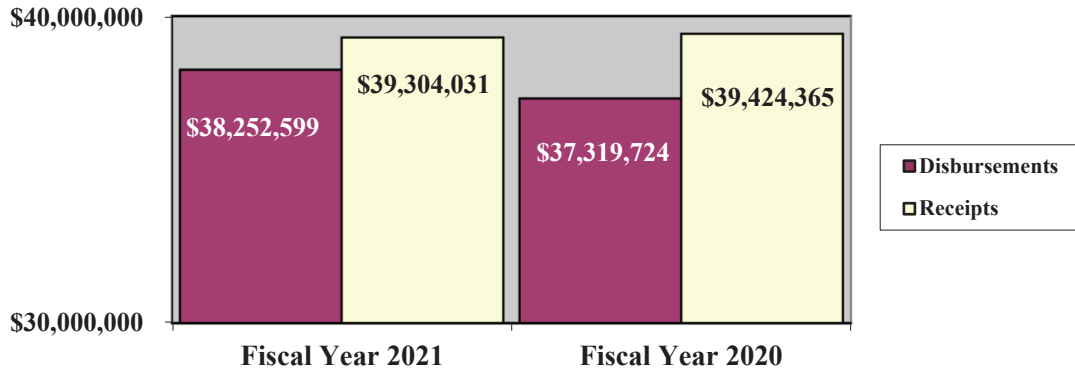
The largest disbursement of the District is for instructional programs. Instructional disbursements totaled 56.45% of total governmental disbursements for fiscal year 2021.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2021 and 2020.

**Governmental Activities - Total Receipts vs. Total Disbursements**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
<b>Disbursements:</b>				
Instruction:				
Regular	\$ 16,896,338	\$ 14,346,580	\$ 15,579,357	\$ 13,753,201
Special	4,022,175	1,701,992	3,923,609	1,530,596
Vocational	406,399	227,296	411,758	236,021
Other	267,882	241,165	285,316	272,186
Support services:				
Pupil	2,170,986	1,370,770	2,076,811	1,567,701
Instructional staff	892,631	846,684	906,602	885,585
Board of education	16,403	16,403	19,413	19,413
Administration	2,512,733	2,426,427	2,359,687	2,316,757
Fiscal	617,321	612,921	623,593	620,124
Business	3,621	3,621	7,392	7,392
Operations and maintenance of plant	3,394,436	3,126,763	3,849,737	3,769,724
Pupil transportation	1,420,134	1,309,723	1,445,052	1,360,896
Central	127,831	117,785	137,637	127,178
Operation of non-instructional services:				
Food service operations	1,334,866	129,646	1,227,383	147,586
Other non instructional services	12,195	5,418	28,211	(130,881)
Extracurricular	1,143,458	733,638	1,024,806	586,789
Facilities acquisition and construction	831,268	654,181	1,444,841	1,212,972
Debt service:				
Principal retirement	252,548	252,548	101,193	101,193
Interest and fiscal charges	806,388	806,388	745,206	745,206
Accretion on capital appreciation bonds	<u>1,122,986</u>	<u>1,122,986</u>	<u>1,122,120</u>	<u>1,122,120</u>
<b>Total</b>	<b><u>\$ 38,252,599</u></b>	<b><u>\$ 30,052,935</u></b>	<b><u>\$ 37,319,724</u></b>	<b><u>\$ 30,251,759</u></b>

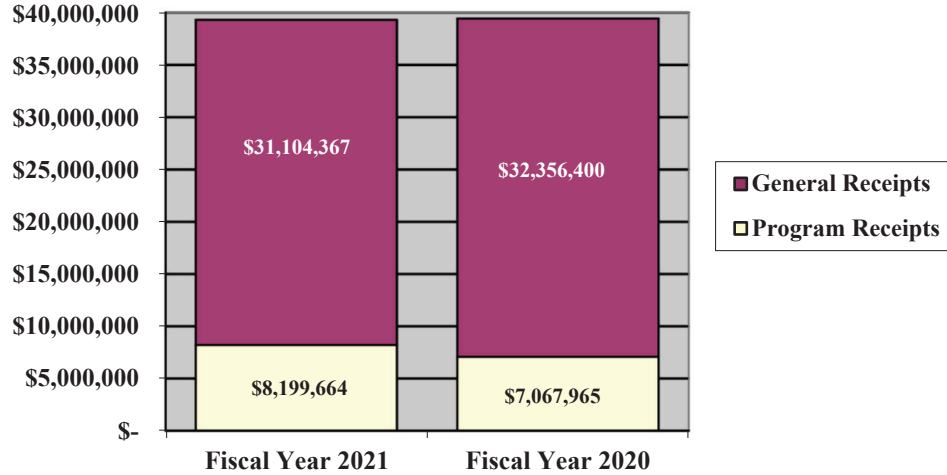
The dependence upon general receipts for instructional activities is apparent, as 76.49% of disbursements were supported through taxes and other general receipts during 2021. For all governmental activities, general receipts support is 78.56%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support of the District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The graph below presents the District's governmental activities receipts for fiscal year 2021 and 2020.

**Governmental Activities - General and Program Receipts**



**The District's Funds**

At June 30, 2021, the District's governmental funds reported a combined cash fund balance of \$30,338,113, which is \$1,051,432 more than last year's total of \$29,286,681. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2021 and June 30, 2020, for all major and nonmajor governmental funds.

	Fund Balance June 30, 2021	Fund Balance June 30, 2020	Increase (Decrease)
<b>Major Funds:</b>			
General	\$ 24,329,666	\$ 23,010,451	\$ 1,319,215
Bond retirement fund	3,515,725	3,414,904	100,821
Other governmental funds	<u>2,492,722</u>	<u>2,861,326</u>	<u>(368,604)</u>
Total	<u>\$ 30,338,113</u>	<u>\$ 29,286,681</u>	<u>\$ 1,051,432</u>

**General Fund**

The general fund, the District's largest major fund, had total receipts and other financing sources of \$31,170,715 in 2021. The disbursements and other financing uses of the general fund totaled \$29,851,500. The general fund's balance increased \$1,319,215 or 5.73% from the 2020 balance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

	2021 Amount	2020 Amount	Percentage Change
<b><u>Receipts:</u></b>			
Taxes	\$ 10,224,337	\$ 9,869,410	3.60 %
Tuition and fees	1,635,155	1,553,095	5.28 %
Earnings on investments	290,659	550,686	(47.22) %
Other	358,352	329,528	8.75 %
Intergovernmental	<u>18,612,865</u>	<u>18,143,170</u>	2.59 %
Total	<u>\$ 31,121,368</u>	<u>\$ 30,445,889</u>	2.22 %

General fund tuition and fees receipts increased \$82,060 or 5.28% during 2021 due to an increase in receipts related to open enrollment and special education tuition. Interest receipts decreased \$260,027 or 47.22% due to a drop in interest rates on the Districts investments. Tax receipts increased \$354,927 or 3.60% due to an increase in property tax revenues. All other receipt classifications remained comparable to 2020.

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

	2021 Amount	2020 Amount	Percentage Change
<b><u>Disbursements:</u></b>			
Instruction	\$ 19,475,943	\$ 18,752,121	3.86 %
Support services	9,414,261	9,538,528	(1.30) %
Extracurricular	631,475	533,727	18.31 %
Facilities acquisition and construction	-	193,672	(100.00) %
Other	<u>4,488</u>	<u>4,845</u>	(7.37) %
Total	<u>\$ 29,526,167</u>	<u>\$ 29,022,893</u>	1.73 %

Disbursements remained comparable to 2020; overall, disbursements of the general fund increased 1.73% from the prior year.

***Bond Retirement Fund***

The bond retirement fund had total receipts of \$1,997,091 in 2021. The disbursements of the bond retirement fund, totaled \$1,896,270 in 2021. The bond retirement fund's balance increased \$100,821 or 2.95% from 2020 to 2021.

***Budgeting Highlights - General Fund***

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

For the general fund, actual receipts and other financing sources of \$31,207,070 were higher than final budgeted receipts and other financing sources by \$288,896. Final budgeted disbursements and other financing uses of \$31,880,486 were the same as the original budgeted disbursements and other financing uses. Actual disbursements and other financing uses of \$30,327,057 were \$1,553,429 lower than final budgeted disbursements and other financing uses.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not capitalize assets on its financial statements or record the amortization of depreciation expense; rather, the District records disbursements when capital assets are purchased.

***Debt Administration***

At June 30, 2021, the District had \$23,279,091 in long-term obligations outstanding; of this amount, \$1,394,461 is due within one year. A summary of the District's long-term obligations outstanding at June 30, 2021 and 2020 follows:

	<u>Governmental Activities 2021</u>	<u>Governmental Activities 2020</u>
Lease purchase agreement	\$ 1,884,091	\$ 2,134,625
Series 2015 school improvement refunding bonds:		
Current interest	21,395,000	21,395,000
Capital appreciation (including accreted interest)	<u>-</u>	<u>642,848</u>
Total long-term obligations	<u>\$ 23,279,091</u>	<u>\$ 24,172,473</u>

For further information regarding the District's long-term obligations, refer to Note 8 to the basic financial statements.

**Current Financial Related Activities**

The District is always concerned with State funding formulas, the resources available to the State, and the proportions allocated to education. The current two-year State budget and revised school funding formula projected increases in school funding for the District through fiscal year 2021. During fiscal year 2020, unrestricted State aid was decreased 3.3% for fiscal year 2020 to assist with balancing the State of Ohio's budget due to the economic effects of the coronavirus pandemic. In fiscal year 2021, the governor restored half of the cuts in state-aid that were implemented in fiscal year 2020.

With House Bill 920, current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction, which forces tax receipts to remain constant.

The Board of Education approved a three-year contract with the Wapakoneta Classified Association, effective July 1, 2021, which will result in a 3.0%, 2.25% increase, and 2.0% increase in base wages for fiscal years 2021, 2022, and 2023, respectively. Step increases were granted in all three fiscal years.

The Board of Education approved a three-year contract with the Wapakoneta Education Association, effective July 1, 2020, which will result in a 3.0%, 2.25% and 2.0% increase in base wages for fiscal years 2021, 2022, and 2023, respectively. Step increases were granted in all three fiscal years.

The administration continues to try to balance education needs and community interests with the resources made available. The challenge for all school districts is to provide quality services to the public while staying within the restrictions imposed by limited and changing funding. The District will continue to monitor the financial situation of the District in order to continue to provide a balanced budget.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Angela Sparks, Treasurer, Wapakoneta City School District, 1102 Gardenia Drive, Wapakoneta, Ohio 45895.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2021

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	<u>\$ 30,338,113</u>
<b>Net position:</b>	
Restricted for:	
Capital projects	1,340,327
Classroom facilities maintenance	472,962
Debt service	3,515,725
State funded programs	151,870
Federally funded programs	167
Food service operations	358,410
Student activities	221,101
Other purposes	1,018
Unrestricted	<u>24,276,533</u>
Total net position	<u>\$ 30,338,113</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

			<b>Program Receipts</b>			<b>Net (Disbursements) Receipts and Changes in Net Position</b>
	<b>Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>		<b>Governmental Activities</b>
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 16,896,338	\$ 1,432,588	\$ 1,107,473	\$ 9,697		\$ (14,346,580)
Special	4,022,175	197,737	2,122,446	-		(1,701,992)
Vocational	406,399	-	179,103	-		(227,296)
Other	267,882	-	26,717	-		(241,165)
Support services:						
Pupil	2,170,986	-	800,216	-		(1,370,770)
Instructional staff	892,631	-	39,212	6,735		(846,684)
Board of education	16,403	-	-	-		(16,403)
Administration	2,512,733	30,367	55,939	-		(2,426,427)
Fiscal	617,321	-	-	4,400		(612,921)
Business	3,621	-	-	-		(3,621)
Operations and maintenance	3,394,436	12,243	211,648	43,782		(3,126,763)
Pupil transportation	1,420,134	4,838	40,946	64,627		(1,309,723)
Central	127,831	1,046	9,000	-		(117,785)
Operation of non-instructional services:						
Food service operations	1,334,866	120,108	1,085,112	-		(129,646)
Other non-instructional services	12,195	231	6,546	-		(5,418)
Extracurricular activities	1,143,458	308,674	57,438	43,708		(733,638)
Facilities acquisition and construction	831,268	-	-	177,087		(654,181)
Debt service:						
Principal retirement	252,548	-	-	-		(252,548)
Interest and fiscal charges	806,388	-	-	-		(806,388)
Accretion on capital appreciation bonds	1,122,986	-	-	-		(1,122,986)
<b>Total governmental activities</b>	<b>\$ 38,252,599</b>	<b>\$ 2,107,832</b>	<b>\$ 5,741,796</b>	<b>\$ 350,036</b>		<b>(30,052,935)</b>
			<b>General receipts:</b>			
			Property taxes levied for:			
					7,775,209	
					1,760,193	
			Income taxes levied for:			
					2,449,128	
					1,206,287	
			Grants and entitlements not restricted to specific programs		17,314,659	
					293,662	
					305,229	
					31,104,367	
						1,051,432
						29,286,681
						<b>\$ 30,338,113</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	<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 cash equivalents	\$ 24,328,648	\$ 3,515,725	\$ 2,492,722	\$ 30,337,095
Restricted cash and investments	1,018	-	-	1,018
Total assets	<u>\$ 24,329,666</u>	<u>\$ 3,515,725</u>	<u>\$ 2,492,722</u>	<u>\$ 30,338,113</u>
<b>Fund balances:</b>				
Nonspendable:				
Unclaimed monies	1,018	-	-	1,018
Restricted:				
Debt service	-	3,515,725	-	3,515,725
Capital improvements	-	-	1,340,327	1,340,327
Classroom facilities maintenance	-	-	472,962	472,962
Food service operations	-	-	358,410	358,410
State funded programs	-	-	151,870	151,870
Federally funded programs	-	-	167	167
Extracurricular	-	-	221,101	221,101
Committed:				
Termination benefits	244,910	-	-	244,910
Assigned:				
Student instruction	114,612	-	-	114,612
Student and staff support	424,515	-	-	424,515
Extracurricular activities	50,445	-	-	50,445
Other purposes	7,972	-	-	7,972
Unassigned (deficit)	<u>23,486,194</u>	<u>-</u>	<u>(52,115)</u>	<u>23,434,079</u>
Total fund balances	<u>\$ 24,329,666</u>	<u>\$ 3,515,725</u>	<u>\$ 2,492,722</u>	<u>\$ 30,338,113</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property taxes	\$ 7,775,209	\$ 1,760,193	\$ -	\$ 9,535,402
Income taxes	2,449,128	-	1,206,287	3,655,415
Intergovernmental	18,612,865	236,898	4,174,900	23,024,663
Investment earnings	290,659	-	3,304	293,963
Tuition and fees	1,635,155	-	-	1,635,155
Extracurricular	29,614	-	308,905	338,519
Rental income	8,305	-	-	8,305
Charges for services	-	-	125,845	125,845
Contributions and donations	27,796	-	328,628	356,424
Miscellaneous	292,637	-	37,703	330,340
Total receipts	<u>31,121,368</u>	<u>1,997,091</u>	<u>6,185,572</u>	<u>39,304,031</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	15,546,058	-	1,350,280	16,896,338
Special	3,291,610	-	730,565	4,022,175
Vocational	402,618	-	3,781	406,399
Other	235,657	-	32,225	267,882
Support services:				
Pupil	1,264,240	-	906,746	2,170,986
Instructional staff	818,387	-	74,244	892,631
Board of education	16,403	-	-	16,403
Administration	2,463,533	-	49,200	2,512,733
Fiscal	559,469	39,758	18,094	617,321
Business	3,621	-	-	3,621
Operations and maintenance	2,928,964	-	465,472	3,394,436
Pupil transportation	1,240,813	-	179,321	1,420,134
Central	118,831	-	9,000	127,831
Operation of non-instructional services				
Food service operations	-	-	1,334,866	1,334,866
Other non-instructional services	4,488	-	7,707	12,195
Extracurricular activities	631,475	-	511,983	1,143,458
Facilities acquisition and construction	-	-	831,268	831,268
Debt service:				
Principal retirement	-	2,014	250,534	252,548
Interest and fiscal charges	-	731,512	74,876	806,388
Accretion on capital appreciation bonds	-	1,122,986	-	1,122,986
Total disbursements	<u>29,526,167</u>	<u>1,896,270</u>	<u>6,830,162</u>	<u>38,252,599</u>
Excess of receipts over (under) disbursements	<u>1,595,201</u>	<u>100,821</u>	<u>(644,590)</u>	<u>1,051,432</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	49,576	49,576
Transfers (out)	-	-	(49,576)	(49,576)
Advances in	49,347	-	325,333	374,680
Advances (out)	(325,333)	-	(49,347)	(374,680)
Total other financing sources (uses)	<u>(275,986)</u>	<u>-</u>	<u>275,986</u>	<u>-</u>
Net change in fund balances	1,319,215	100,821	(368,604)	1,051,432
<b>Fund balances at beginning of year</b>	<u>23,010,451</u>	<u>3,414,904</u>	<u>2,861,326</u>	<u>29,286,681</u>
<b>Fund balances at end of year</b>	<u>\$ 24,329,666</u>	<u>\$ 3,515,725</u>	<u>\$ 2,492,722</u>	<u>\$ 30,338,113</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property taxes	\$ 7,330,350	\$ 7,770,257	\$ 7,775,209	\$ 4,952
Income taxes	2,280,313	2,449,128	2,449,128	-
Intergovernmental	18,286,494	18,508,613	18,612,865	104,252
Investment earnings	325,000	295,000	290,659	(4,341)
Tuition and fees	1,576,772	1,527,772	1,635,155	107,383
Rental income	5,000	5,000	4,430	(570)
Contributions and donations	1,100	2,300	12,600	10,300
Miscellaneous	18,865	291,869	296,512	4,643
Total receipts	<u>29,823,894</u>	<u>30,849,939</u>	<u>31,076,558</u>	<u>226,619</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	16,355,742	16,355,742	15,559,310	796,432
Special	3,460,097	3,460,097	3,291,610	168,487
Vocational	485,136	485,136	461,513	23,623
Other	247,720	247,720	235,657	12,063
Support services:				
Pupil	1,330,441	1,330,441	1,265,656	64,785
Instructional staff	864,718	864,718	822,611	42,107
Board of education	17,243	17,243	16,403	840
Administration	2,552,343	2,552,343	2,428,058	124,285
Fiscal	588,106	588,106	559,469	28,637
Business	3,806	3,806	3,621	185
Operations and maintenance	3,480,065	3,480,065	3,310,606	169,459
Pupil transportation	1,292,575	1,292,575	1,229,634	62,941
Central	122,991	122,991	117,002	5,989
Operation of non-instructional services				
Other non-instructional services	4,718	4,718	4,488	230
Extracurricular activities	663,798	663,798	631,475	32,323
Facilities acquisition and construction	53,027	53,027	50,445	2,582
Total disbursements	<u>31,522,526</u>	<u>31,522,526</u>	<u>29,987,558</u>	<u>1,534,968</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,698,632)</u>	<u>(672,587)</u>	<u>1,089,000</u>	<u>1,761,587</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's disbursements	85,000	2,388	2,460	72
Refund of prior year's receipts	(3,360)	(3,360)	(2,166)	1,194
Advances in	50,000	61,347	61,347	-
Advances (out)	(354,600)	(354,600)	(337,333)	17,267
Sale of capital assets	500	4,500	66,705	62,205
Total other financing sources (uses)	<u>(222,460)</u>	<u>(289,725)</u>	<u>(208,987)</u>	<u>80,738</u>
Net change in fund balance	(1,921,092)	(962,312)	880,013	1,842,325
<b>Fund balance at beginning of year</b>	22,377,201	22,377,201	22,377,201	-
<b>Prior year encumbrances appropriated</b>	229,998	229,998	229,998	-
<b>Fund balance at end of year</b>	<u>\$ 20,686,107</u>	<u>\$ 21,644,887</u>	<u>\$ 23,487,212</u>	<u>\$ 1,842,325</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Custodial</b>
<b>Additions:</b>	
Extracurricular collections for OHSAA	\$ 5,030
Total additions	5,030
<b>Deductions:</b>	
Extracurricular distributions to OHSAA	5,030
Total deductions	5,030
Change in net position	-
<b>Net position at beginning of year</b>	-
<b>Net position at end of year</b>	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The Wapakoneta City School District (the “District”), located in Auglaize County, Ohio is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio and provides educational services as authorized by state and federal guidelines. The District operates under a locally-elected Board form of government consisting of four members elected for staggered four year terms. The Board oversees the operations of the District’s 5 facilities staffed by 120 non-certified employees, 186 certified teaching personnel, and 14 administrators who provide services to 2,944 students and community members.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes when the District’s relationship with the organization further results in a financial benefit or burden of the District, or if it is the opinion of management that the exclusion of the organization would be misleading. The District does not have any component units.

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam and Van Wert counties and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. During 2021, the District paid \$109,061 to NOACSC for its services. Financial information is available from Ray Burden, Executive Director, at 645 South Main Street, Lima, Ohio 45804.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Apollo Career Center

The Apollo Career Center (Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center is operated under the direction of a Board and is its own budgeting and taxing authority. Financial information can be obtained from the Apollo Career Center, 3325 Shawnee Road, Lima, Ohio 45806.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio.

The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

Southwestern Ohio Educational Purchasing Cooperative

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials.

The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208 Vandalia, Ohio 45377.

*PUBLIC ENTITY RISK POOLS*

Ohio School Plan

The District participates in the Ohio School Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Ohio School Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Ohio School Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Ohio School Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206. See Note 9.B to the financial statements for more information about the Ohio School Plan.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool established under Section 4123.29 of the Ohio Revised Code. The Plan was established through the Ohio School Boards Association (OSBA).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program. See Note 9.C to the financial statements for more information about the Plan.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

The following are the District's major governmental funds:

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

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net cash assets and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District did not have any trust funds in fiscal year 2021. Custodial funds are custodial in nature. The District's custodial fund accounts for OHSAA tournament monies.

**C. Basis of Presentation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

All assets and net position associated with the operation of the District are included on the statement of net position - cash basis.

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

**D. Basis of Accounting**

Although required by Ohio Administrative Code §117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

**E. Budgetary Process**

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

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The legal level of budgetary control established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

Estimated Resources

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

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

Encumbrances

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

Lapsing of Appropriations

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

**F. Cash and Investments**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

During fiscal year 2021, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, municipal bonds, corporate bonds, U.S. Treasury notes and negotiable certificates of deposit. With the exception of STAR Ohio, investments are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$290,659, which included \$57,262 assigned from other funds.

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

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

**G. Restricted Cash**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund consist of unclaimed monies.

**H. Inventory and Prepaid Items**

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

**I. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

**J. Compensated Absences**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**K. Long-Term Obligations**

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

**L. Intergovernmental Receipts**

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

**M. Pensions/Other Postemployment Benefits (OPEB)s**

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

**N. Interfund Activity**

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

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net position - cash basis.

**O. Fund Balance**

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

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

*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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

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

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

**P. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2021, the District has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**B. Compliance**

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**C. Deficit Fund Balances**

Fund balances at June 30, 2021 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Other Grants Fund	\$ 1,578
Public School Preschool Fund	8,455
Elementary and Secondary School Emergency Fund	33,473
Title I Fund	8,609

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

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 \$1,175 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**B. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all District deposits was \$5,312,013 and the bank balance of all District deposits was \$5,627,648. Of the bank balance, \$2,267,688 was covered by the FDIC and \$3,359,960 was covered by collateral as described below.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2021, certain District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2021, the District had the following investments and maturities:

Investment type	Carrying Value	Fair Value	Investments Maturities at Fair Value				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 8,202,869	\$ 8,202,869	\$ 8,202,869	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	12,050,000	12,306,924	348,475	1,556,203	1,008,684	1,789,599	7,603,963
Municipal Bonds	355,913	356,603	-	-	133,437	54,420	168,746
FFCB	250,000	250,065	-	-	-	-	250,065
Corporate Bonds	246,000	243,358	-	-	-	-	243,358
FHLB	1,175,666	1,169,167	-	-	-	-	1,169,167
U.S. Treasury Note	2,744,477	2,731,217	-	-	-	523,984	2,207,233
<b>Total</b>	<b>\$ 25,024,925</b>	<b>\$ 25,260,203</b>	<b>\$ 8,551,344</b>	<b>\$ 1,556,203</b>	<b>\$ 1,142,121</b>	<b>\$ 2,368,003</b>	<b>\$ 11,642,532</b>

The weighted average maturity of investments is 2.02 years.

*Interest Rate Risk:* The Ohio Revised Code generally limits securities purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

*Credit Risk:* STAR Ohio and federal agency securities are rated AAAM and AA+ by Standard & Poor's, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's negotiable certificates of deposit were not rated but are fully insured by FDIC coverage. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute. The District's investments municipal bonds are not rated.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2021:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 8,202,869	32.78
Negotiable CD's	12,050,000	48.15
Municipal Bonds	355,913	1.42
FFCB	250,000	1.00
Corporate Bonds	246,000	0.98
FHLB	1,175,666	4.70
U.S. Treasury Note	<u>2,744,477</u>	<u>10.97</u>
Total	<u>\$ 25,024,925</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position - Cash Basis**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2021:

Cash and investments per note

Carrying amount of deposits	\$ 5,312,013
Investments	25,024,925
Cash on hand	<u>1,175</u>
Total	<u>\$ 30,338,113</u>

Cash and investments per statement of net position - cash basis

Governmental activities	<u>\$ 30,338,113</u>
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**NOTE 5 - INCOME TAXES**

The District levies a voted tax of .5 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .5 percent portion of the tax was effective on January 1, 1991, and the .25 percent portion of the tax was effective on January 1, 1996. The entire voted tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the general fund, the permanent improvement fund and the classroom facilities maintenance fund.

**NOTE 6 - PROPERTY TAXES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Auglaize County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 391,541,950	95.70	\$ 422,605,090	95.88
Public utility personal	<u>17,583,320</u>	<u>4.30</u>	<u>18,154,540</u>	<u>4.12</u>
Total	<u>\$ 409,125,270</u>	<u>100.00</u>	<u>\$ 440,759,630</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$30.60		\$29.80	

**NOTE 7 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported on the fund financial statement:

	<u>Amount</u>
<u>Transfers from the nonmajor governmental funds to:</u>	
Nonmajor governmental fund	<u>\$ 49,576</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or (1) budget requires to expend them and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities - cash basis. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 7 - INTERFUND TRANSACTIONS - (Continued)**

**B.** Interfund advances consisted of the following at June 30, 2021, as reported on the fund financial statements:

<u>Advance out</u>	<u>Advance in</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ 325,333
Nonmajor governmental fund	General fund	<u>49,347</u>
		<u>\$ 374,680</u>

The primary purpose of the interfund advances is to cover the costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received. Interfund balances at June 30, 2021, consisted of \$325,333 advanced to nonmajor governmental funds to cover expenses. The \$49,347 interfund receivable/payable, originally recorded in fiscal year 2020, was repaid in the current fiscal year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 8 - LONG-TERM OBLIGATIONS**

The table that follows summarizes the changes in the District's long-term obligations during fiscal year 2021.

	<u>Balance</u> <u>06/30/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/21</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Lease purchase agreement	\$ 2,134,625	\$ -	\$ (250,534)	\$ 1,884,091	\$ 274,461
Series 2015 refunding bonds:					
Current interest bonds	21,395,000	-	-	21,395,000	1,120,000
Capital appreciation bonds	2,014	-	(2,014)	-	-
Accreted interest on capital appreciation bonds	<u>640,834</u>	<u>482,152</u>	<u>(1,122,986)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 24,172,473</u>	<u>\$ 482,152</u>	<u>\$ (1,375,534)</u>	<u>\$ 23,279,091</u>	<u>\$ 1,394,461</u>

Lease-Purchase Agreement

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

During fiscal year 2020, the District entered into a lease-purchase agreement with Sterling National Bank for the purpose of funding improvements at the District's athletic stadium. The \$1,712,438 in proceeds are to be repaid over nine years with a final maturity of August 15, 2029. Principal and interest payments related to this lease-purchase agreement are made from the permanent improvement fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Principal and interest requirements to retire the lease-purchase obligations at June 30, 2021 follows:

Fiscal Year Ending June 30,	Lease Purchase Agreement		
	Principal	Interest	Total
2022	\$ 274,461	\$ 50,949	\$ 325,410
2023	282,372	43,038	325,410
2024	290,511	34,899	325,410
2025	185,684	27,720	213,404
2026	191,062	22,342	213,404
2027 - 2030	<u>660,001</u>	<u>33,562</u>	<u>693,563</u>
Total	<u>\$ 1,884,091</u>	<u>\$ 212,510</u>	<u>\$ 2,096,601</u>

*Series 2015 School Improvement Refunding Bonds:* On March 26, 2015, the District issued \$22,209,848 in school improvement refunding bonds to refund the Series 2008 School improvement construction bonds that were for construction of two new elementary schools, an addition to the middle school, and renovation of the high school. The bonds include serial and capital appreciation bonds, in the original amount of \$22,105,000 and \$104,848, respectively. The bonds were issued for a nineteen year period, with final maturity on December 1, 2035. The bonds are being retired from the bond retirement fund.

The serial bonds maturing after December 1, 2016, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, or any interest payment date on or after 1, 2016, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The serial bonds bear interest rates ranging from 1.00% to 4.00%.

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity. The final capital appreciation bonds matured in fiscal year 2021.

The issuance proceeds of \$25,133,439 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunding was undertaken to reduce the total debt service payments over the next 20 years by \$1,137,971. This refunded debt is considered defeased (in-substance).

Principal and interest requirements to retire debt obligations as of June 30, 2021, are as follows:

Fiscal Year Ending June 30,	Series 2015 School Improvement Refunding Bonds		
	Principal	Current Interest Bonds Interest	Total
2022	\$ 1,120,000	\$ 718,912	\$ 1,838,912
2023	1,150,000	685,187	1,835,187
2024	1,190,000	649,550	1,839,550
2025	1,220,000	619,288	1,839,288
2026	1,250,000	585,725	1,835,725
2027 - 2031	6,960,000	2,198,118	9,158,118
2032 - 2036	<u>8,505,000</u>	<u>762,702</u>	<u>9,267,702</u>
Total	<u>\$ 21,395,000</u>	<u>\$ 6,219,482</u>	<u>\$ 27,614,482</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

*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, 2021, are a voted debt margin of \$21,789,092 (including available funds of \$3,515,725) and an unvoted debt margin of \$440,760.

**NOTE 9 - RISK MANAGEMENT**

**A. Liability Insurance Coverage**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District contracted with the Ohio School Plan (See Note 9.B) for the following insurance coverage:

Type of Coverage	Liability Limit
Property damage	\$ 119,363,545
General liability:	
Per occurrence	5,000,000
Aggregate limit	7,000,000
Automobile liability	5,000,000

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

**B. Ohio School Plan**

The District is a member of the Ohio School Plan, an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Ohio School Plan is deemed a separate legal entity. The Ohio School Plan provides property, general liability, educator’s legal liability, automobile and violence coverages, modified for each member’s needs. The Ohio School Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s specific deductible.

The Ohio School Plan issues its own policies and reinsures the School Plan with reinsurances carriers. Only if the Ohio School Plan’s paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Ohio School Plan contribute to paid claims. (See the Ohio School Plan’s audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The Ohio School Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2020, 2019 and 2018:

	2020	2019	2018
Assets	\$ 13,471,241	\$ 12,967,922	\$ 12,764,109
Liabilities	4,909,663	4,843,762	4,451,197
Net Position	8,561,578	8,124,160	8,312,912

You can read the complete audited financial statements for The Ohio School Plan at its website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org) under “Financials”. Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**C. Ohio School Boards Association Workers’ Compensation Group Rating Plan**

For fiscal year 2021, the District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (the “Plan”), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers’ compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers’ compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan’s selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the Plan.

**NOTE 10 - CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2021, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. Foundation Funding**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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. ODE has finalized the impact of enrollment adjustments to the June 30, 2021 foundation funding for the District. These adjustments were insignificant for the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability/Asset***

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

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

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/OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$529,038 for fiscal year 2021.

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

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) 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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five year of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,965,653 for fiscal year 2021.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.10323040%	0.10586069%	
Proportion of the net pension liability current measurement date	<u>0.10417470%</u>	<u>0.10808990%</u>	
Change in proportionate share	<u>0.00094430%</u>	<u>0.00222921%</u>	
Proportionate share of the net pension liability	\$ 6,890,334	\$ 26,153,910	\$ 33,044,244

***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, 2020, are presented below:

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

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. 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 earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 9,438,916	\$ 6,890,334	\$ 4,752,025

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

	July 1, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 37,238,614	\$ 26,153,910	\$ 16,760,546

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

See Note 11 for a description of the net OPEB liability (asset).

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

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

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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$68,587.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$62,861 for fiscal year 2021.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability/Asset***

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.10507880%	0.10586069%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.10780090%</u>	<u>0.10808990%</u>	
Change in proportionate share	<u>0.00272210%</u>	<u>0.00222921%</u>	
Proportionate share of the net OPEB liability	\$ 2,342,866	\$ -	\$ 2,342,866
Proportionate share of the net OPEB asset	\$ -	\$ (1,899,679)	\$ (1,899,679)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

*Actuarial Assumptions - SERS*

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Measurement date	2.45%
Prior measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	2.63%
Prior measurement date	3.22%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates* - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,867,610	\$ 2,342,866	\$ 1,925,696

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,844,829	\$ 2,342,866	\$ 3,008,870

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	July 1, 2020		July 1, 2019	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

*Assumption Changes Since the Prior Measurement Date* - There were no changes in assumptions since the prior measurement date of June 30, 2019.

*Benefit Term Changes Since the Prior Measurement Date* - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

*Discount Rate* - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

*Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,652,844	\$ 1,899,679	\$ 2,109,108
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 2,096,109	\$ 1,899,679	\$ 1,660,397

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer earn twenty days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent, and the treasurer upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days for certified employees and up to a maximum of two hundred thirty days for classified employees. Upon retirement, for certified employees, payment is made for 22 percent of accrued but unused sick leave, and for classified employees, payment is made for 25 percent of their accrued but unused sick leave, up to a maximum of fifty-seven and one-half days.

**B. Employee Insurance Benefits**

The District offers health and dental insurance to most employees through UMR, a United Healthcare company, and Delta Dental, respectively. Life insurance is offered through Hartford Life and Accident. Vision insurance is offered through Vision Service Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

**C. Separation Benefits**

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

Classified

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Employees meeting the requirements and with thirty years of service to the District shall receive an amount equal to one and one-third days severance pay for each year of service to the District, not to exceed forty days. Employees meeting the requirements and with twenty-five years of service shall receive an amount equal to one day severance pay for each year of service to the District, not to exceed twenty-five days. The District will pay the incentive to qualifying bargaining unit members in one lump sum payment. Such payment shall be made in the same calendar year in which the bargaining unit member retires.

Certified

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

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

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statements of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budgetary basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 880,013
Funds budgeted elsewhere	(124,113)
Adjustment for encumbrances	563,315
Cash basis	<u>\$ 1,319,215</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the unclaimed monies fund, the public school support fund, the termination benefits fund, a faculty fund and the adult education fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 15 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2020	\$ -
Current year set-aside requirement	546,106
Current year qualifying disbursements	-
Current year offsets	<u>(546,106)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2022	<u>\$ -</u>
Set-aside balance June 30, 2021	<u>\$ -</u>

During fiscal year 2008, the District issued \$24,750,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$24,400,532 at June 30, 2021.

**NOTE 16 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 563,315
Nonmajor governmental funds	<u>1,140,473</u>
Total	<u>\$ 1,703,788</u>

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

The City of Wapakoneta has entered into a tax abatement agreement with Golden Fresh Farms Enterprises, WRK Industries LLC, Pratt Properties LLC and Pratt Paper LLC for the abatement of property taxes and to bring jobs and economic development into the City. The agreement affects the property tax receipts collected and distributed to the District. Under the agreement, the District will forgo future property taxes in the amount of \$390,600 annually based on the effective millage rate in place at the time of the agreement.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 18 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act 2021, passed by Congress on December 1, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During fiscal year 2021, the District received \$727,881 through the Elementary and Secondary School Emergency Relief Program and \$157,930 through the Coronavirus Relief Fund Program.

**NOTE 19 – SUBSEQUENT EVENT FOR DISTRICT FUNDING CHANGES**

For fiscal year 2022, District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the educating school. Currently the amount of reduced revenues and expenditures for fiscal year 2022 cannot be accurately determined. This new funding system calculates a unique base cost and unique “per-pupil local capacity amount” for each District. The District's core foundation funding is then calculated. Any change in funding will be subject to a phase-in percentage of 16.67% for fiscal year 2022 and 33.33% for fiscal year 2023.

Wapakoneta City School District  
Auglaize County, Ohio  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2021

Federal Agency/ Pass Through Agency/ Program Title	Assistance Listing Number	Fiscal Year	Pass Through Identifying Number	Disbursements
<b>U.S. Department of Agriculture:</b>				
<i>Passed through Ohio Department of Education:</i>				
<u>Nutrition Cluster:</u>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Breakfast Program	10.553	2021	N/A	\$ 34,739
National School Lunch Program	10.555	2021	N/A	104,217
<i>Cash Assistance:</i>				
National School Breakfast Program	10.553	2021	N/A	138,556
COVID-19 National School Breakfast Program	10.553	2021	N/A	18,649
National School Lunch Program	10.555	2021	N/A	838,847
COVID-19 National School Lunch Program	10.555	2021	N/A	115,284
Special Milk Program for Children	10.556	2021	N/A	1,209
COVID-19 Special Milk Program for Children	10.556	2021	N/A	95
Total Nutrition Cluster				<u>1,251,596</u>
Total US Department of Agriculture				<u>1,251,596</u>
<b>The Institute of Museum and Library Services:</b>				
<i>Passed through State Library of Ohio:</i>				
Grants to States - Library Services and Technology Grant	45.310	2021	N/A	<u>2,833</u>
Total Institute of Museum and Library Services				<u>2,833</u>
<b>U.S. Department of Education:</b>				
<i>Passed through Ohio Department of Education:</i>				
Title I Grants to Local Education Agencies	84.010A	2021	S010A200035	358,778
Title I Expanding Opportunities	84.010A	2021	N/A	<u>3,360</u>
				362,138
<u>Special Education Cluster:</u>				
Special Education Grants to States	84.027A	2021	H027A210111	639,981
Special Education Preschool Grants	84.173A	2021	H173A200119	<u>17,330</u>
Total Special Education Cluster				<u>657,311</u>
Striving Readers	84.371C	2021	S371C210019	69,587
Student Support and Academic Enrichment Grants	84.424A	2021	S424A210036	35,279
Education Stabilization Fund:				
COVID-19 - Elementary and Secondary School Emergency Relief I	84.425D	2021	S425D200035	324,480
COVID-19 - Elementary and Secondary School Emergency Relief II	84.425D	2021	S425D210035	737,907
COVID-19 - Elementary and Secondary School Emergency Relief III	84.425D	2021	S425U210035	<u>22,200</u>
Total Stabilization Fund				<u>1,084,587</u>
Total U.S. Department of Education				<u>2,208,902</u>
<b>U.S. Department of the Treasury:</b>				
<i>Passed through State of Ohio Office of Budget and Management:</i>				
COVID-19 - Coronavirus Relief Fund - Rural and Small Towns	21.019	2021	N/A	<u>157,930</u>
Total U.S. Department of the Treasury				<u>157,930</u>
<b>Total Federal Assistance</b>				<u>\$ 3,621,261</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**1. Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Wapakoneta City School District under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**2. Summary of Significant Accounting Policies:**

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

**3. U.S. Department of Agriculture Programs:**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2021 the District had no significant food commodities in inventory.

**4. Matching Requirements:**

Certain federal programs require the District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule.

**INDEPENDENCE AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Wapakoneta City School District  
1102 Gardenia Drive  
Wapakoneta, Ohio 45895

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wapakoneta City School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2022, wherein we noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

**District Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 26, 2022

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Education  
Wapakoneta City School District  
1102 Gardenia Drive  
Wapakoneta, Ohio 45895

### **Report on Compliance for Each Major Federal Program**

We have audited the Wapakoneta City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 26, 2022

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

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
 Noncompliance material to financial statements noted?	 Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
 Type of auditors’ report issued on compliance for major programs:	 Unmodified
 Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	 None noted
 Identification of major programs:	
ALN 84.425D – COVID-19 Elementary and Secondary School Emergency Relief	
<i>Special Education Cluster:</i>	
ALN 84.027 – Special Education Grants to States	
ALN 84.173 – Special Education Preschool Grants	
 Dollar threshold to distinguish between Type A and Type B programs:	 \$750,000
 Auditee qualified as low-risk auditee?	 No



## Section II – Financial Statement Findings

### **2021-001: Reporting Annual Financial Statements**

*Condition:* The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

*Criteria:* Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

*Effect:* Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

*Cause:* Due to current economic issues, the District elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

*Recommendation:* We recommend the District further consider reporting its annual financial report in accordance with GAAP.

*Management Response:* Wapakoneta City Schools prepares an Other Comprehensive Basis of Accounting (OCBOA) report which incorporates the reporting format required by Government Accounting Standards Board Statement No. 34. An OCBOA report is accepted by the American Institute of Certified Public Accountants. Board Resolution number 118-03 gave the fiscal officer permission to prepare OCBOA statements because they are more cost beneficial.

## Section III – Federal Awards Findings and Questioned Costs

**None noted**

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



Aaron Rex, Superintendent  
Angela Sparks, Treasurer/CFO  
Mike Watt, Director of Operations  
**Phone:** 419-739-2900  
**Fax:** 419-739-2918

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Schedule of Prior Audit Findings

**Finding 2020-001: Reporting Annual Financial Statements**

The District elected not to report on the GAAP basis of accounting as required under Ohio Administrative Code Section 117-2-3(b).

*Status: Uncorrected – See audit finding 2021-001.*

**Wapakoneta City Schools**  
1102 Gardenia Drive  
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Corrective Action Plan

**Finding 2021-001: Reporting Annual Financial Statements**

Contact Person: Angela Sparks, Treasurer

Corrective Action: Wapakoneta City Schools prepares an Other Comprehensive Basis of Accounting (OCBOA) report which incorporates the reporting format required by Government Accounting Standards Board Statement No. 34. An OCBOA report is accepted by the American Institute of Certified Public Accountants. Board Resolution number 118-03 gave the fiscal officer permission to prepare OCBOA statements because they are more cost beneficial.

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



# OHIO AUDITOR OF STATE KEITH FABER



**WAPAKONETA CITY SCHOOL DISTRICT**

**AUGLAIZE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/5/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)