



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY  
JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Van Wert City School District  
Van Wert County  
205 W. Crawford St.  
Van Wert, Ohio 45891

To the Board of Education:

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

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County, Ohio (the School District), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Van Wert City School District, Van Wert, Ohio, as of June 30, 2018, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Supplementary Information*

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

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

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

*Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State  
Columbus, Ohio

March 11, 2019

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**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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The discussion and analysis of the Van Wert City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position increased \$895,947 from fiscal year 2017.
- Total outstanding debt decreased \$740,977 through principal payments, net of the issuance of \$300,000 in a tax anticipation note.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2018, the General fund and the Bond Retirement fund are the School District's most significant funds.

***Basis of Accounting***

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

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
(Unaudited)  
(Continued)

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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

*Fund Financial Statements*

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

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

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

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*  
*(Continued)*

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**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2018 compared to 2017.

**(Table 1)**  
**Net Position – Modified Cash Basis**

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 8,315,783	\$ 7,412,230
Cash and Cash Equivalents in Segregated Accounts	<u>154,122</u>	<u>161,728</u>
<i>Total Assets</i>	<u>\$ 8,469,905</u>	<u>\$ 7,573,958</u>
<b>Net Position</b>		
Restricted for:		
Capital Outlay	\$ 552,453	\$ 236,301
Debt Service	1,261,464	1,010,254
Educational Purposes:		
Expendable	9,771	9,656
Non-Expendable	25,000	25,000
Other Purposes	976,120	1,192,866
Unrestricted	<u>5,645,097</u>	<u>5,099,881</u>
<i>Total Net Position</i>	<u>\$ 8,469,905</u>	<u>\$ 7,573,958</u>

Net position of the governmental activities increased \$895,947 which represents a 12 percent increase from fiscal year 2017. The increase in cash and cash equivalents was primarily due a \$300,000 tax anticipation note issued and not spent, as well as receipts outpacing disbursements.

A portion of the School District's net position, \$2,824,808 or 33 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$5,645,097 may be used to meet the School District's ongoing obligations.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
(Unaudited)  
(Continued)

Table 2 shows the changes in net position for fiscal year 2018 as compared to fiscal year 2017.

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

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 1,619,294	\$ 2,051,480
Operating Grants, Contributions and Interest	3,362,306	3,460,616
<b>Total Program Receipts</b>	<b>4,981,600</b>	<b>5,512,096</b>
<b>General Receipts</b>		
Property Taxes	7,619,273	7,473,348
Income Taxes	2,810,266	2,686,267
Grants and Entitlements not Restricted to Specific Programs	13,023,520	12,935,724
Payments in Lieu of Taxes	0	140,358
Proceeds from Sale of Assets	650	1,000
Proceeds of Tax Anticipation Notes	300,000	0
Refunding Bonds Issued	0	16,715,000
Premium on Debt Refunding	0	1,502,864
Insurance Recoveries	0	1,165
Accrued Interest Received on Refunding Bonds Issued	0	4,101
Investment Earnings	132,525	70,617
Miscellaneous	171,824	149,987
<b>Total General Receipts</b>	<b>24,058,058</b>	<b>41,680,431</b>
<b>Total Receipts</b>	<b>29,039,658</b>	<b>47,192,527</b>
<b>Program Disbursements</b>		
Instruction:		
Regular	11,382,227	11,414,443
Special	4,527,541	4,061,337
Vocational	109,418	1,256
Student Intervention Services	24,031	29,086
Other	327,132	627,543
Support Services:		
Pupils	1,870,605	1,870,477
Instructional Staff	820,963	644,459
Board of Education	77,583	89,419
Administration	1,801,873	1,863,506
Fiscal	633,492	602,955
Operation and Maintenance of Plant	2,328,881	2,139,015
Pupil Transportation	671,571	505,301
Central	107,200	93,035
Operation of Non-Instructional Services:		
Food Service Operations	837,582	878,167
Community Services	180,301	192,610
Extracurricular Activities	763,026	677,058
Capital Outlay	21,758	126,247
Debt Service:		
Principal Retirement	1,071,000	483,000
Interest and Fiscal Charges	587,527	1,530,542
Payment to Refunding Bond Escrow Agent	0	17,989,647
<b>Total Program Disbursements</b>	<b>28,143,711</b>	<b>45,819,103</b>
<b>Change in Net Position</b>	<b>895,947</b>	<b>1,373,424</b>
<b>Net Position Beginning of Year</b>	<b>7,573,958</b>	<b>6,200,534</b>
<b>Net Position End of Year</b>	<b>\$ 8,469,905</b>	<b>\$ 7,573,958</b>

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
(Unaudited)  
(Continued)

The fluctuations in refunding bonds issued, premium on debt refunding along with the debt service disbursements is due to two debt refundings in fiscal year 2017.

There was a decrease in program receipts during fiscal year 2018. This is due to a decline in charges for services due to the closing of Life Links Community School in fiscal year 2017.

There was an increase in program disbursements for special instruction due to an increase in services paid to a new learning academy for special education services. There was also a significant decrease in disbursements for other instruction mainly due to a decrease in payments made to charter schools.

The decrease in payment in lieu of taxes is due to the final receipt on an abatement paid to the School District in fiscal year 2017.

**Governmental Activities**

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

**(Table 3)**  
**Governmental Activities – Modified Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2018	2017	2018	2017
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 11,382,227	\$ 11,414,443	\$ 10,249,889	\$ 9,860,161
Special	4,527,541	4,061,337	2,306,074	1,623,278
Vocational	109,418	1,256	(5,667)	(61,166)
Student Intervention Services	24,031	29,086	24,031	29,086
Other	327,132	627,543	327,132	627,543
Support Services:				
Pupils	1,870,605	1,870,477	1,870,605	1,870,477
Instructional Staff	820,963	644,459	791,798	600,132
Board of Education	77,583	89,419	77,583	89,419
Administration	1,801,873	1,863,506	1,663,635	1,832,769
Fiscal	633,492	602,955	633,492	602,955
Operation and Maintenance of Plant	2,328,881	2,139,015	2,328,881	2,139,015
Pupil Transportation	671,571	505,301	605,290	448,619
Central	107,200	93,035	107,200	93,035
Operation of Non-Instructional Services:				
Food Service Operations	837,582	878,167	(60,086)	(51,323)
Community Services	180,301	192,610	10,480	27,499
Extracurricular Activities	763,026	677,058	551,489	446,072
Capital Outlay	21,758	126,247	21,758	126,247
Debt Service:				
Principal Retirement	1,071,000	483,000	1,071,000	483,000
Interest and Fiscal Charges	587,527	1,530,542	587,527	1,530,542
Payment to Refunding Bond Escrow Agent	0	17,989,647	0	17,989,647
<b><i>Total</i></b>	<b><u>\$ 28,143,711</u></b>	<b><u>\$ 45,819,103</u></b>	<b><u>\$ 23,162,111</u></b>	<b><u>\$ 40,307,007</u></b>

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
(Unaudited)  
(Continued)

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The dependence upon tax receipts and general receipts entitlements from the state for governmental activities is apparent. Program receipts only account for 18 percent of all governmental disbursements. The community is the largest area of support for the School District students.

***The School District's Funds***

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

The School District's governmental funds reported a combined fund balance of \$8,469,905 which is higher than the prior year balance of \$7,573,958.

The General fund's fund balance increased \$575,780 in fiscal year 2018, primarily due to receipts outpacing disbursements.

The Bond Retirement fund increased in fund balance by \$251,210 in fiscal year 2018, due to timing of receipts and debt service payments.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2018, the School District amended its General fund budget. For the General fund, final budget basis receipts were \$23,666,650 representing an increase of \$15,600 from the original estimate of \$23,651,050. Actual receipts of \$23,876,613 were \$209,963 higher than the final budget. There were no significant reasons for these slight fluctuations.

For fiscal year 2018, the General fund final budgeted disbursements were \$23,956,599, which is over the original budgeted disbursements of \$23,411,513. Actual disbursements of \$23,543,502 were \$413,097 lower than the final budget, primarily due to conservative budgeting and cost saving measures taken throughout the year.

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
(Unaudited)  
(Continued)

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***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2018 and 2017.

**(Table 4)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2018	2017
2006 Refunding Bonds - Capital Appreciation Bonds	\$ 123,813	\$ 93,790
2016 Refunding Bonds - Serial Bonds	15,150,000	16,115,000
OASBO School Improvement Loan	1,345,000	1,416,000
Energy Conservation Refunding Loan 2016	290,000	325,000
Tax Anticipation Note 2018	300,000	0
<i>Total</i>	<u>\$ 17,208,813</u>	<u>\$ 17,949,790</u>

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

***Current Issues***

The financial position of the School District is continually an issue of importance. After a rough period from July 1, 2010 thru June 30, 2014, the School District has operated in the black in each of the past four fiscal years. Fiscal year 2018 General Fund balance finished in the black by \$521,397, this on top of the prior three-year accumulative total of \$2,258,798.

The current State Biennium Budget, HB 49, as passed on June 30, 2017 indicates that the School District will receive no additional State Foundation funding in either fiscal year 2018 or fiscal year 2019. The next State budget is scheduled to be passed into law by June 30, 2019, for fiscal years 2020 and 2021. This next budget will be very important in determining the financial approach of the District.

An on-going issue is the amount of money the School District has been losing to open enrollment with annual net losses well in excess of \$1,000,000. The Board of Education and the Administration are working on ways to fix this loss of students and funds, including increasing the School District's brand awareness primarily through marketing. A positive trend developed over fiscal years 2016 and 2017 as the number of students open enrolling out decreased by 40 students (20 in each fiscal year). Although the number of students enrolling out remained static in fiscal year 2018, the number of students enrolling in increased by 10.

During fiscal year 2018 the District entered into collective bargaining agreements with both the certified and classified unions for the three year period of August 1, 2017 through July 31, 2020.

The District entered into a \$300,000 Permanent Improvement Tax Anticipation Note in June 2018 for the construction of visitor bleachers and other upgrades at the football stadium - Eggerss Stadium. The note is to be repaid over five installments; however, the desire is to collect donations for the revitalization of the stadium and to apply collections to the outstanding debt.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
(Unaudited)  
(Continued)

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Over a seven year period the School District annually sent approximately 40 students to their own sponsored conversion community school named LifeLinks Community School. Through an agreement with the Ohio Department of Education the School District closed LifeLinks Community School effective June 30, 2017. In place of LifeLinks Community School, Western Buckeye Educational Service Center (ESC) has created a similar program named Synergy Learning Center (SLC). SLC will educate these students along with others from surrounding school districts. The School District has entered into a lease agreement with the ESC to house the SLC in the SF Goedde Administration Building.

On June 11, 2018, Vicki Brunn began employment as the District's Superintendent. Ms. Brunn previously spent five years as the superintendent of Central Local Schools located in northwest Ohio. Ms. Brunn replaces interim superintendent Staci Kaufman, who had taken over for long-time superintendent Ken Amstutz on August 1, 2017.

***Contacting the School District's Financial Management***

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



**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
*June 30, 2018*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,315,783
Cash and Cash Equivalents in Segregated Accounts	154,122
<i>Total Assets</i>	8,469,905
<b>Net Position</b>	
Restricted for:	
Capital Outlay	552,453
Debt Service	1,261,464
Educational Purposes:	
Expendable	9,771
Non-Expendable	25,000
Other Purposes	976,120
Unrestricted	5,645,097
<i>Total Net Position</i>	\$ 8,469,905

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Fiscal Year Ended June 30, 2018*

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Receipts and Changes in Net Position
<b>Governmental Activities</b>				Governmental Activities
Instruction:				
Regular	\$ 11,382,227	\$ 1,031,038	\$ 101,300	\$ (10,249,889)
Special	4,527,541	50,435	2,171,032	(2,306,074)
Vocational	109,418	0	115,085	5,667
Student Intervention Services	24,031	0	0	(24,031)
Other	327,132	0	0	(327,132)
Support Services:				
Pupils	1,870,605	0		(1,870,605)
Instructional Staff	820,963	0	29,165	(791,798)
Board of Education	77,583	0	0	(77,583)
Administration	1,801,873	0	138,238	(1,663,635)
Fiscal	633,492	0	0	(633,492)
Operation and Maintenance of Plant	2,328,881	0	0	(2,328,881)
Pupil Transportation	671,571	0	66,281	(605,290)
Central	107,200	0	0	(107,200)
Operation of Non-Instructional Services:				
Food Service Operations	837,582	334,696	562,972	60,086
Community Services	180,301	0	169,821	(10,480)
Extracurricular Activities	763,026	203,125	8,412	(551,489)
Capital Outlay	21,758	0	0	(21,758)
Debt Service:				
Principal Retirement	1,071,000	0	0	(1,071,000)
Interest and Fiscal Charges	587,527	0	0	(587,527)
<b>Total Governmental Activities</b>	<b>\$ 28,143,711</b>	<b>\$ 1,619,294</b>	<b>\$ 3,362,306</b>	<b>\$ (23,162,111)</b>

**General Receipts**

Property Taxes Levied for:	
General Purposes	5,832,747
Debt Service	1,414,353
Capital Outlay	258,369
Classroom Facilities Maintenance	113,804
Income Taxes Levied for:	
General Purposes	2,810,266
Grants and Entitlements not Restricted	13,023,520
Proceeds from Sale of Assets	650
Tax Anticipation Note Issued	300,000
Investment Earnings	132,525
Miscellaneous	171,824
<b>Total General Receipts</b>	<b>24,058,058</b>
<b>Change in Net Position</b>	<b>895,947</b>
<b>Net Position Beginning of Year</b>	<b>7,573,958</b>
<b>Net Position End of Year</b>	<b>\$ 8,469,905</b>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*June 30, 2018*

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,675,661	\$ 1,261,464	\$ 1,378,658	\$ 8,315,783
Cash and Cash Equivalents in Segregated Accounts	<u>0</u>	<u>0</u>	<u>154,122</u>	<u>154,122</u>
<i>Total Assets</i>	<u>\$ 5,675,661</u>	<u>\$ 1,261,464</u>	<u>\$ 1,532,780</u>	<u>\$ 8,469,905</u>
<b>Fund Balances</b>				
Nonspendable	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Restricted	0	1,261,464	1,538,344	2,799,808
Committed	0	0	25,000	25,000
Assigned	183,799	0	0	183,799
Unassigned	<u>5,491,862</u>	<u>0</u>	<u>(55,564)</u>	<u>5,436,298</u>
<i>Total Fund Balances</i>	<u>\$ 5,675,661</u>	<u>\$ 1,261,464</u>	<u>\$ 1,532,780</u>	<u>\$ 8,469,905</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Modified Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2018*

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 5,832,732	\$ 1,414,353	\$ 372,173	\$ 7,619,258
Income Taxes	2,810,266	0	0	2,810,266
Intergovernmental	13,945,619	346,555	1,959,465	16,251,639
Investment Income	131,433	0	1,092	132,525
Tuition and Fees	947,215	0	0	947,215
Extracurricular Activities	57,727	0	145,202	202,929
Gifts and Donations	86,276	0	47,928	134,204
Charges for Services	100,208	0	334,695	434,903
Payments in Lieu of Taxes	0	0	0	0
Rent	34,050	0	195	34,245
Miscellaneous	125,190	0	46,633	171,823
<i>Total Receipts</i>	<u>24,070,716</u>	<u>1,760,908</u>	<u>2,907,383</u>	<u>28,739,007</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	11,293,953	0	88,274	11,382,227
Special	3,459,249	0	1,068,292	4,527,541
Vocational	109,418	0	0	109,418
Student Intervention Services	24,031	0	0	24,031
Other	327,132	0	0	327,132
Support Services:				
Pupils	1,869,804	0	0	1,869,804
Instructional Staff	787,648	0	801	788,449
Board of Education	77,583	0	33,315	110,898
Administration	1,749,812	0	52,061	1,801,873
Fiscal	578,637	43,890	10,965	633,492
Operation and Maintenance of Plant	1,907,309	0	421,572	2,328,881
Pupil Transportation	572,518	0	99,053	671,571
Central	107,200	0	0	107,200
Extracurricular Activities	580,080	0	182,946	763,026
Operation of Non-Instructional Services:				
Food Service Operations	223	0	837,359	837,582
Community Services	0	0	180,301	180,301
Capital Outlay	4,478	0	17,280	21,758
Debt Service:				
Principal Retirement	35,000	965,000	71,000	1,071,000
Interest and Fiscal Charges	11,512	500,808	75,207	587,527
<i>Total Disbursements</i>	<u>23,495,587</u>	<u>1,509,698</u>	<u>3,138,426</u>	<u>28,143,711</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>575,129</u>	<u>251,210</u>	<u>(231,043)</u>	<u>595,296</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In	0	0	25,000	25,000
Tax Anticipation Notes Issued	0	0	300,000	300,000
Proceeds from Sale of Capital Assets	651	0	0	651
Transfer Out	0	0	(25,000)	(25,000)
<i>Total Other Financing Sources (Uses)</i>	<u>651</u>	<u>0</u>	<u>300,000</u>	<u>300,651</u>
<i>Net Change in Fund Balances</i>	575,780	251,210	68,957	895,947
<i>Fund Balances Beginning of Year</i>	<u>5,099,881</u>	<u>1,010,254</u>	<u>1,463,823</u>	<u>7,573,958</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,675,661</u>	<u>\$ 1,261,464</u>	<u>\$ 1,532,780</u>	<u>\$ 8,469,905</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 5,684,790	\$ 5,684,790	\$ 5,832,732	\$ 147,942
Income Taxes	2,726,561	2,726,561	2,810,266	83,705
Intergovernmental	14,100,349	14,115,949	13,945,619	(170,330)
Investment Income	60,000	60,000	131,433	71,433
Tuition and Fees	883,300	883,300	944,815	61,515
Gifts and Donations	13,250	13,250	33,000	19,750
Charges for Services	120,000	120,000	100,069	(19,931)
Rent	32,500	32,500	34,050	1,550
Miscellaneous	30,300	30,300	44,629	14,329
<i>Total Receipts</i>	<u>23,651,050</u>	<u>23,666,650</u>	<u>23,876,613</u>	<u>209,963</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	11,619,570	11,619,570	11,321,423	298,147
Special	3,333,296	3,333,296	3,463,113	(129,817)
Vocational	165,695	165,695	109,418	56,277
Student Intervention Services	23,650	23,650	24,031	(381)
Other	337,825	337,825	327,132	10,693
Support Services:				
Pupils	1,971,156	1,971,156	1,873,599	97,557
Instructional Staff	773,978	773,978	804,111	(30,133)
Board of Education	56,471	71,015	78,507	(7,492)
Administration	1,637,176	1,811,909	1,746,989	64,920
Fiscal	536,609	600,762	595,968	4,794
Operation and Maintenance of Plant	2,023,441	2,023,441	1,975,599	47,842
Pupil Transportation	423,073	583,995	575,293	8,702
Central	91,666	104,895	115,779	(10,884)
Extracurricular Activities	370,141	482,146	481,327	819
Operation of Non-Instructional Services:				
Community Services	1,000	1,000	223	777
Capital Outlay	254	5,754	4,478	1,276
Debt Service:				
Principal Retirement	35,000	35,000	35,000	0
Interest and Fiscal Charges	11,512	11,512	11,512	0
<i>Total Disbursements</i>	<u>23,411,513</u>	<u>23,956,599</u>	<u>23,543,502</u>	<u>413,097</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>239,537</u>	<u>(289,949)</u>	<u>333,111</u>	<u>623,060</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	2,000	2,000	650	(1,350)
Refund of Prior Year Expenditures	54,714	54,714	63,750	9,036
Refund of Prior Year Receipts	0	(8,501)	(8,501)	0
<i>Total Other Financing Sources (Uses)</i>	<u>56,714</u>	<u>48,213</u>	<u>55,899</u>	<u>7,686</u>
<i>Net Change in Fund Balance</i>	296,251	(241,736)	389,010	630,746
<i>Fund Balance Beginning of Year</i>	4,935,696	4,935,696	4,935,696	0
Prior Year Encumbrances Appropriated	128,384	128,384	128,384	0
<i>Fund Balance End of Year</i>	<u>\$ 5,360,331</u>	<u>\$ 4,822,344</u>	<u>\$ 5,453,090</u>	<u>\$ 630,746</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2018*

	Private Purpose Trust - Scholarship	Investment Trust	Agency
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 160,285	\$ 0	\$ 221,202
Cash and Cash Equivalents in Segregated Accounts	0	789,471	0
Investments	30,468	2,441,293	0
<i>Total Assets</i>	<u>190,753</u>	<u>3,230,764</u>	<u>\$ 221,202</u>
<b>Net Position</b>			
Held in Trust for Scholarships	123,024	0	\$ 0
Held for Student Activities	0	0	161,480
Held in Trust for Individual Investment Account	0	3,230,764	0
Held on Behalf of Other Governments	0	0	59,722
Endowments	67,729	0	0
<i>Total Net Position</i>	<u>\$ 190,753</u>	<u>\$ 3,230,764</u>	<u>\$ 221,202</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2018*

	Private Purpose Trust - Scholarship	Investment Trust
<b>Additions</b>		
Gifts and Contributions	\$ 253,549	\$ 8,120,165
Interest	464	23,563
<i>Total Additions</i>	<u>254,013</u>	<u>8,143,728</u>
<b>Deductions</b>		
Payments in Accordance with Trust Agreements	<u>231,473</u>	<u>7,152,679</u>
<i>Change in Net Position</i>	22,540	991,049
<i>Net Position Beginning of Year</i>	<u>168,213</u>	<u>2,239,715</u>
<i>Net Position End of Year</i>	<u>\$ 190,753</u>	<u>\$ 3,230,764</u>

See accompanying notes to the basic financial statements.

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**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

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

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

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

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

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

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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**A. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

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

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

**B. Fund Accounting**

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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**1. Governmental Funds**

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

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

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

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

**2. Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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

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

**D. Budgetary Process**

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

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

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

**Tax Budget**

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

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

**Estimated Resources**

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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**Appropriations**

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

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

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

**Encumbrances**

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

**Lapsing of Appropriations**

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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**E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, with the exception of the investment trust fund, two private purpose trust funds and the classroom facilities construction fund are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.” Cash and cash equivalents unique to the investment trust fund, two private purpose trust funds and the classroom facilities construction fund are presented as segregated cash and cash equivalents. An investment held specifically for the extracurricular activities fund is also reported separately as “investments.” During fiscal year 2018, the School District invested in shares of Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, certificates of deposit, a money market account and STAR Ohio.

During fiscal year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District measures their 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 the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2018 was \$131,433, which includes \$41,804 assigned from other School District funds.

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

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

**F. Employer Contributions to Cost-Sharing Pension Plans**

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Compensated Absences**

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

**J. Long-Term Obligations**

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

**K. Equity Classifications**

**GOVERNMENT-WIDE STATEMENTS**

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

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2018, there was no net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that does not meet the definition of “restricted.”

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

**FUND FINANCIAL STATEMENTS**

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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- a. **Nonspendable** - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. **Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. **Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. **Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
- e. **Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**L. Intergovernmental Receipts**

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



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**M. Interfund Activity**

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

**N. Pensions and OPEB**

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

**O. Implementation of New Accounting Principles**

For the fiscal year ended June 30, 2018, the School District has (to the extent it applies to the modified cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. See Note 9 for further information.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implement of GASB Statement No 85 did not have an effect on the financial statements of the School District.

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GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio); and
8. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed forty percent of the interim monies available for investment at any one time.

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

***Investments***

As of June 30, 2018 the School District had the following investments:

	Measurement Value	% of Total Investments	Maturities		
			< 12 months	1-3 years	> 3 years
Federal National Mortgage Association	\$ 1,123,417	10%	\$ 398,811	\$ 649,448	\$ 75,158
Federal Home Loan Bank	800,911	8%	250,293	450,895	99,723
Federal Home Loan Mortgage Corporation	589,347	5%	0	400,776	188,571
Money Market	248,687	2%	248,687	0	0
STAR Ohio	8,361,112	75%	8,361,112	0	0
	<u>\$ 11,123,474</u>	<u>100%</u>	<u>\$ 9,258,903</u>	<u>\$ 1,501,119</u>	<u>\$ 363,452</u>

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

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*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types. The School District has no investment policy dealing with credit risk beyond the requirements of State statute.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2018, is 49 days and carries a rating of AAAM by S&P Global Ratings.

*Concentration of Credit Risk* — The School District places no limit on the amount of its interim monies it may invest in any one issuer, however State statute limits investments in commercial paper and bankers’ acceptances to forty percent of the interim monies available for investment at any one time. Refer to the table shown on the previous page for percentages of total investments held as of June 30, 2018.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, the School District was not exposed to custodial credit risk.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured or by 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 market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

In April 2018, one of the School District’s financial institutions participating in OPCS was approved for a reduced collateral floor of 50 percent. At the time the reduced floor became effective, none of the School District’s bank balance was exposed to custodial credit risk.

**NOTE 4 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 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 2018 taxes were collected are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 248,299,010	95.75%	\$ 246,515,170	95.49%
Public Utility Personal Property	11,023,130	4.25%	11,649,300	4.51%
Total	\$ 259,322,140	100.00%	\$ 258,164,470	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$53.30		\$52.30	

**NOTE 5 – INCOME TAXES**

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

**NOTE 6 – TRANSFERS**

During fiscal year 2018, the School District transferred \$25,000 from the athletic fund to the capital improvements fund for the athletic department to accumulate resources for new and upgraded athletic equipment and facilities in accordance with ORC 5705.13(c).

**NOTE 7 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted for the following insurance coverage.

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**A. Property and Liability**

Coverage provided by Ohio Casualty Insurance Company is as follows:

Building and Contents	\$103,759,039
General School District Liability:	
Per Occurrence	1,000,000
Total per Year	2,000,000
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Umbrella Liability:	
Per Occurrence	5,000,000
Total per Year	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. Workers Compensation**

For fiscal year 2018, the School District participated in the State Workers' Compensation group retrospective rating program and payment system. This program involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured.

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

**C. Unemployment**

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

**D. Health Care**

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

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The School District’s contractually required contributions to SERS was \$475,008 for fiscal year 2018.

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

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

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



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Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 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.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 or later.

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 the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was \$1,472,856 for fiscal year 2018.

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***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.09785010%	0.09198885%	
Prior Measurement Date	0.09659650%	0.09197826%	
Change in Proportionate Share	0.00125360%	0.00001059%	
Proportionate Share of the Net Pension Liability	\$ 5,846,327	\$ 21,852,148	\$ 27,698,475

***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 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 pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

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Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon 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 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic 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 assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u><u>100.00</u></u> %	

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**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$ 8,113,183	\$ 5,846,327	\$ 3,947,373

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent 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 percent of rates for males and 100 percent 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.

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine and no set back from age ninety and above.

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Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

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 %	

\*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent 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 pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

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	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$ 31,324,311	\$ 21,852,148	\$ 13,873,271

***Assumption Changes since the Prior Measurement Date***

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

***Benefit Term Changes since the Prior Measurement Date***

Effective July 1, 2017, the COLA was reduced to zero.

**NOTE 9 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB liability represents the School District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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.

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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to 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 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$46,103.

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The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$63,068 for fiscal year 2018.

***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, 2020. 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 postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School 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
Proportionate Share of the Net OPEB Liability	\$ 2,665,958	\$ 3,589,065	\$ 6,255,023
Proportion of the Net OPEB Liability	0.09933750%	0.09198885%	

***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.



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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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate	
Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.98 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.50 percent - 5.00 percent
Pre-Medicare	7.50 percent - 5.00 percent

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

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

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 percent, 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.

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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	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. 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 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent 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 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. 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.

**Sensitivity of the School 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 (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	\$ 3,219,483	\$ 2,665,958	\$ 2,227,424
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 2,163,225	\$ 2,665,958	\$ 3,331,333

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***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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:

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<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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent 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 actual rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. 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 not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. 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 blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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.

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	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$ 4,818,263	\$ 3,589,065	\$ 2,617,598
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 2,493,529	\$ 3,589,065	\$ 5,030,920

**NOTE 10 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety-five days for all employees. Upon retirement, payment is made for 25.7 percent of accrued but unused sick leave credit up to a maximum of 50.12 days. Employees who have accumulated 195 days of sick leave may accumulate an additional 25 days to be paid upon retirement. This will result in an overall maximum payment of 75.12 days.

**B. Employee Insurance Benefits**

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

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**NOTE 11 – LONG-TERM OBLIGATIONS**

Changes in the School District’s long-term obligations during fiscal year 2018 were as follows:

	Outstanding 7/1/2017	Additions	Reductions	Outstanding 6/30/2018	Amounts Due in One Year
<i>General Obligation Bonds:</i>					
2006 Refunding Bonds					
Capital Appreciations Bonds	\$ 5,000	\$ 0	\$ 0	\$ 5,000	\$ 0
Accretion on Capital Appreciations Bonds	88,790	30,023	0	118,813	0
2016 Refunding Bonds					
Serial Bonds	16,115,000	0	965,000	15,150,000	990,000
Total General Obligation Bonds	16,208,790	30,023	965,000	15,273,813	990,000
OASBO School Improvement Loan	1,416,000	0	71,000	1,345,000	75,000
Energy Conservation Note Refunding 2016	325,000	0	35,000	290,000	30,000
2018 Tax Anticipation Note	0	300,000	0	300,000	0
Total Governmental Activities					
Long-Term Obligations	<u>\$ 17,949,790</u>	<u>\$ 330,023</u>	<u>\$ 1,071,000</u>	<u>\$ 17,208,813</u>	<u>\$ 1,095,000</u>

**2006 School Improvement Refunding Bonds** - On November 30, 2006, the School District issued bonds, in the amount of \$9,380,000, to partially refund bonds previously issued in fiscal year 2003 for the construction of a new high school. The refunding bond issue includes serial, term, and capital appreciation bonds, in the original amount of \$6,795,000, \$2,580,000 and \$5,000, respectively. The bonds were issued for a twenty-four year period, at interest rates of 4.00 percent to 4.25 percent with final maturity during fiscal year 2031.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date. These bonds were refunded on September 20, 2016.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2025, in the amount of \$970,000. For fiscal year 2018, \$30,023 was accreted on the capital appreciation bonds for a total bond value (original principal plus accumulated accretion) of \$123,813 at fiscal year-end.

**2016 School Improvement Refunding Bonds** - On September 20, 2016 the School District issued bonds, in the amount of \$16,390,000, to refund bonds previously issued in fiscal years 2006 and 2007 for the construction of a new high school. The refunding bond issue includes serial bonds, issued for a fifteen year period, at an interest rate of 2.00 to 4.00 percent with final maturity during fiscal year 2031. These refunding bonds were issued with a premium of \$1,502,864. The issuance resulted in a difference between cash flows required to service the old debt and the cash flows required to service the new debt of \$2,331,243.

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The refunding bonds maturing on or after December 1, 2027 are subject to optional redemption prior, in whole or in part on any date in any order maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2026 at par plus accrued interest thereon.

At June 30, 2018, a balance of \$15,150,000 was defeased.

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

**2016 Energy Conservation Note Refunding** - On November 9, 2016 the School District issued bonds, in the amount of \$325,000, to refund notes previously issued in fiscal year 2011 for the purpose of providing energy conservation measures for the School District under H.B. 264. The refunding bonds were issued for a ten year period, at an interest rate of 2.35 percent with final maturity during fiscal year 2026. The issuance resulted in a difference between cash flows required to service the old debt and the cash flows required to service the new debt of \$21,576. The loan is being retired through the general fund.

At June 30, 2018, a balance of \$290,000 was defeased.

**2018 Tax Anticipation Note** – In June of 2018 the School District issued a tax anticipation note, in the amount of \$300,000, for the purpose of general permanent improvements. The note carries an interest rate of 3.4 percent and was issued for a five year period, with a maturity date of December 1, 2023.

Principal and interest requirements to retire outstanding debt obligations at June 30, 2018, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>General Obligation Bonds</b>				
	<b>Serial</b>	<b>Interest</b>	<b>Capital</b>		<b>Total</b>
			<b>Appreciation</b>	<b>Accretion</b>	
2019	\$ 990,000	\$ 481,613	\$ 0	\$ 0	\$ 1,471,613
2020	1,005,000	456,637	0	0	1,461,637
2021	1,040,000	425,962	0	0	1,465,962
2022	1,070,000	394,312	0	0	1,464,312
2023	1,100,000	362,700	0	0	1,462,700
2024-2028	5,410,000	1,313,469	5,000	965,000	7,693,469
2029-2031	4,535,000	214,500	0	0	4,749,500
	\$ 15,150,000	\$ 3,649,193	\$ 5,000	\$ 965,000	\$ 19,769,193

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
(Continued)

<b>Fiscal Year</b> <b>Ending June 30,</b>	<b>School Improvement Loan</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 75,000	\$ 67,788	\$ 142,788
2020	79,000	64,008	143,008
2021	83,000	60,026	143,026
2022	87,000	55,843	142,843
2023	92,000	51,458	143,458
2024-2028	536,000	182,700	718,700
2029-2031	393,000	40,320	433,320
	<u>\$ 1,345,000</u>	<u>\$ 522,143</u>	<u>\$ 1,867,143</u>

<b>Fiscal Year</b> <b>Ending June 30,</b>	<b>Energy Conservation Refunding</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 30,000	\$ 6,463	\$ 36,463
2020	35,000	5,698	40,698
2021	35,000	4,876	39,876
2022	35,000	4,054	39,054
2023	35,000	3,231	38,231
2024-2026	120,000	4,230	124,230
	<u>\$ 290,000</u>	<u>\$ 28,552</u>	<u>\$ 318,552</u>

<b>Fiscal Year</b> <b>Ending June 30,</b>	<b>2018 Tax Anticipation Notes</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 0	\$ 9,241	\$ 9,241
2020	60,000	9,018	69,018
2021	60,000	7,014	67,014
2022	60,000	5,010	65,010
2023	60,000	3,006	63,006
2024	60,000	1,002	61,002
	<u>\$ 300,000</u>	<u>\$ 34,291</u>	<u>\$ 334,291</u>

**NOTE 12 – STATUTORY RESERVES**

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

The following cash basis information describes the changes in the fiscal year set aside amounts for capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2018, the restricted activity was as follows:



**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
(Continued)

	<b>Capital Acquisition</b>
Set Aside Restricted Balance June 30, 2017	\$ 0
Current Year Set Aside Requirement	345,533
Current Year Offsets	(417,722)
Total	\$ (72,189)
Balance Carried Forward to Fiscal Year 2019	\$ 0
Set Aside Restricted Balance June 30, 2018	\$ 0

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

**NOTE 13 – DONOR RESTRICTED ENDOWMENTS**

The School District’s private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$67,729, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for disbursement by the School District is \$123,024 and is included in “Held in trust for scholarships.” State law permits the School District to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year and to aid needy children.

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**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
(Continued)

**NOTE 14 – FUND BALANCE**

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

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

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Instruction Endowment	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Total Nonspendable	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
<b>Restricted for:</b>				
Permanent Improvement	0	0	552,453	552,453
Classroom Facilities Maintenance	0	0	598,042	598,042
Debt Service	0	1,261,464	0	1,261,464
Support Services	0	0	17,754	17,754
Student Activities	0	0	175,275	175,275
Instruction	0	0	20,669	20,669
Food Service	0	0	174,151	174,151
Total Restricted	<u>0</u>	<u>1,261,464</u>	<u>1,538,344</u>	<u>2,799,808</u>
<b>Committed for:</b>				
Athletic Improvements	0	0	25,000	25,000
Total Committed	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
<b>Assigned for:</b>				
Instruction	42,759	0	0	42,759
Support Services	121,488	0	0	121,488
Extracurricular	7,842	0	0	7,842
Subsequent Year Appropriations	11,710	0	0	11,710
Total Assigned	<u>183,799</u>	<u>0</u>	<u>0</u>	<u>183,799</u>
Unassigned	<u>5,491,862</u>	<u>0</u>	<u>(55,564)</u>	<u>5,436,298</u>
<b>Total Fund Balance</b>	<b><u>\$ 5,675,661</u></b>	<b><u>\$ 1,261,464</u></b>	<b><u>\$ 1,532,780</u></b>	<b><u>\$ 8,469,905</u></b>

As of June 30, 2018 the School District had a negative fund balance totaling \$55,564 from the following funds:

*Non Major Special Revenue Funds:*

Early Childhood Education	\$ 55,542
IDEA Part-B	8
Title I	14

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the City schools of St. Mary's, Wapakoneta, Bowling Green and Tiffin. The consortium also serves Eastwood and North Baltimore Local schools, and Exempted schools of Ada and Carey. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2018, the School District paid \$55,044 to NOACSC for various services. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative, 4277 East Road, Elida, Ohio 45807.

**B. Vantage Career Center**

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

**NOTE 16 – INSURANCE POOLS**

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

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

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

**B. Van Wert Area Schools Insurance Group**

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
(Continued)

**NOTE 17 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. School District Funding**

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of fiscal year end 2018 reviews, the School District owes ODE \$438. This amount has not been included in the financial statements.

**NOTE 18 – COMMITMENTS**

**A. Encumbrance Commitments**

Outstanding encumbrances for governmental funds as of June 30, 2018, include \$163,655 in the General fund and \$311,261 in nonmajor governmental funds.

**B. Contractual Commitments**

At June 30, 2018, the School District has the following contractual commitments:

<u>Contractor</u>	<u>Description</u>	<u>Amount of Contract</u>	<u>Amount Spent</u>	<u>Balance</u>
Farnham Equipment Co	Football Stadium (bleachers)	\$ 136,000	0	\$ 136,000
Statewide Ford Lincoln Mercury	Maintenance Truck	33,000	0	33,000
Kalida Truck Equipment, Inc	Maintenance Truck Add'l Equipment	16,600	0	16,600
Rural Ironworks, LLC	Football Stadium (fence)	15,000	0	15,000
		<u>\$ 200,600</u>	<u>\$ 0</u>	<u>\$ 200,600</u>

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
(Continued)

**NOTE 19 – BUDGETARY BASIS OF ACCOUNTING**

The Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis), presented for the General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified cash basis are that:

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

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the modified cash basis for the General Fund are as follows:

Net Change in Fund Balance	
	<u>General Fund</u>
Cash basis	\$ 575,780
Funds budgeted elsewhere**	(23,115)
Adjustment for encumbrances	<u>(163,655)</u>
Budget Basis	<u><u>\$ 389,010</u></u>

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

**NOTE 20 – COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2018, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of modified cash receipts and modified cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
(Passed through the Ohio Department of Education)			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$108,586	
National School Lunch Program (Food Distribution)	10.555		\$71,796
National School Lunch Program	10.555	443,090	
Total Child Nutrition Cluster		<u>551,676</u>	<u>71,796</u>
Total U.S. Department of Agriculture		<u>551,676</u>	<u>71,796</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
(Passed through the Ohio Department of Education)			
Title I Grants to Local Educational Agencies	84.010	411,823	
Special Education Cluster:			
Special Education Grants to States	84.027	470,410	
Special Education Preschool Grants	84.173	23,590	
Total Special Education Cluster		<u>494,000</u>	
(Passed through the Ohio Department of Health)			
Special Education - Grants for Infants and Families	84.181	59,584	
(Passed through the Ohio Department of Education)			
Supporting Effective Instruction State Grants	84.367	72,149	
Student Support and Academic Enrichment Program	84.424	9,899	
Total U.S. Department of Education		<u>1,047,455</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
(Passed through the Ohio Department of Job and Family Services)			
Promoting Safe and Stable Families	93.556	15,778	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,950	
Total U.S. Department of Health and Human Services		<u>17,728</u>	
Total Expenditures of Federal Awards		<u><u>\$1,616,859</u></u>	<u><u>\$71,796</u></u>

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

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 C.F.R. 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Van Wert City School District (the School District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# OHIO AUDITOR OF STATE KEITH FABER



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

Van Wert City School District  
Van Wert County  
205 W. Crawford St.  
Van Wert, Ohio 45891

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Van Wert City School District, Van Wert County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 11, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-002 to be a material weakness.

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001 and 2018-002.

### ***School District's Response to Findings***

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### ***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 11, 2019

# OHIO AUDITOR OF STATE KEITH FABER



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

Van Wert City School District  
Van Wert County  
205 W. Crawford St.  
Van Wert, Ohio 45891

To the Board of Education:

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

We have audited the Van Wert City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Van Wert City School District's major federal programs for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

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

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

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

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

***Opinion on each Major Federal Program***

In our opinion, Van Wert City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2018.

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 11, 2019

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

**SCHEDULE OF FINDINGS  
2 C.F.R. § 200.515  
JUNE 30, 2018**

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

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

**FINDING NUMBER 2018-001**

**Failure to File GAAP - Noncompliance**

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

**Ohio Admin. Code § 117-2-03(B)** requires the School District to file annual financial reports in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2018 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position and disclosures that, while presumed material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District did not file financial statements in accordance with GAAP for fiscal year 2018.

Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows of resources, fund equity/net position and the disclosures required to accurately and completely present the School District's financial condition.

**Officials' Response:**

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

**FINDING NUMBER 2018-002**

**Athletic Season Ticket Sales – Material Weakness and Noncompliance**

**Ohio Rev. Code § 149.351(A)** provides, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

**Ohio Rev. Code § 3313.51** states, in part, in every school district the treasurer of the board of education shall be the treasurer of the school funds. No moneys of a school district shall be paid out except on a check signed by the treasurer.

**FINDING NUMBER 2018-002**  
**(Continued)**

The School District offered season tickets for various athletic events played at home. The District's athletic handbook authorized for a variety of people to be able to receive free or discounted priced athletic event season tickets.

During fiscal year 2018, documentation obtained from the athletic department to support the sale of season tickets for football and basketball home games was not sufficient to determine that the correct amount was received and recorded based on the following factors:

- Who received free and / or discounted priced athletic tickets;
- How individuals were determined to be able to receive free and / or discounted priced athletic tickets and if given out in accordance with the athletic handbook;
- If the required payment was received for season tickets - (i.e., when the payment was received, from whom, and how much was paid); and
- The amount received for season ticket sales was not properly recorded in the accounting receipts ledger as there was limited information available to support the amount of revenue received and the classification description in the ledger was vague regarding the source.

In addition, upon inquiry with administrative staff at the District, cash was found in the Athletic Director's office in the amount of \$1,521 without any supporting documentation regarding the source or purpose of the receipts collected.

It was also noted that the Athletic Director was paying ticket handlers \$20 in cash from game collections for taking tickets at the gates instead of issuing a check through the Treasurer's office as required for all payments of services.

Based on the above factors, the completeness and accuracy of season ticket sales for football and basketball games was unable to be determined. The above revenue as recorded, represented 18% of admission sales revenue and 10% of total athletic revenue received during the fiscal year.

Failure to maintain sufficient supporting documentation could result in inaccurate posting of revenue in the accounting system, materially misstated financial statements, and the misappropriation of assets leading to potential findings for recovery.

The District should establish and implement procedures to verify that proper documentation is maintained to support season ticket sales and to provide that all revenue received should be properly deposited and posted to the accounting records for the gross amount received. The District should also implement procedures to verify that free or discounted priced tickets given out are being properly accounted for, including who received the tickets, the type of ticket, and the reason they were eligible for the type of ticket received. Also, documentation should be maintained to support the accountability for when season ticket holders pay for the tickets and how much was paid. Finally, payment to ticket takers should follow proper payment procedures established by the District.

**FINDING NUMBER 2018-002  
(Continued)**

**Officials' Response:**

The School Board is planning to hire a new Athletic Director at their March 20, 2019 Regular Board of Education Meeting. The Treasurer and the High School Principal will meet with the new Athletic Director to ensure that he or she understands the issues as presented in this finding and to inform the new Athletic Director to implement processes to ensure that these issues do not repeat themselves. The Treasurer and High School Principal will periodically review the activity and reports of the Athletic Director for propriety.

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





**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2 C.F.R. 200.511(b)**

**JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	<b>Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B)</b> – Failure to file financial statements in accordance with generally accepted accounting principles (GAAP). Finding initially occurred in fiscal year ending 6/30/2008.	Not Corrected	The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore the Board has elected to go with the Other Cash Basis of Accounting Method.



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

**CORRECTIVE ACTION PLAN  
2 C.F.R. § 200.511(c)  
JUNE 30, 2018**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2018-01	The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore the Board has elected to go with the Other Cash Basis of Accounting method.	N/A - The District will continue filing OCBOA	Michael Ruen, Treasurer
2018-02	The School Board is planning to hire a new Athletic Director at their March 20, 2019 Regular Board of Education Meeting. The Treasurer and the High School Principal will meet with the new Athletic Director to ensure that he or she understands the issues as presented in this finding and to inform the new Athletic Director to implement processes to ensure that these issues do not repeat themselves. The Treasurer and High School Principal will periodically review the activity and reports of the Athletic Director for propriety.	Two weeks after start date of newly hired Athletic Director	Michael Ruen, Treasurer Bob Priest, High School Principal

# OHIO AUDITOR OF STATE KEITH FABER



**VAN WERT CITY SCHOOL DISTRICT**

**VAN WERT COUNTY**

### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 28, 2019**