



Dave Yost • Auditor of State

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Carey Exempted Village School District
Wyandot County
2016 Blue Devil Drive
Carey, Ohio 43316-1273

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio, as of June 30, 2017, and the respective changes in 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 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 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

Other Information

We applied no procedures to Management's Discussion and 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 April 9, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 9, 2018

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The management's discussion and analysis of Carey Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- The total net cash position of the District decreased \$4,819,395 from fiscal year 2016.
- General cash receipts accounted for \$9,554,367 or 80.96% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,246,765 or 19.04% of total governmental activities cash receipts.
- The District had \$16,620,527 in cash disbursements related to governmental activities; \$2,246,765 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$9,554,367 were not adequate to provide for these programs.
- The District's three major funds are the General Fund, the Permanent Improvement Fund and the Classroom Facilities Fund. The General Fund had cash receipts of \$10,014,983 in 2017. The cash disbursements of the General Fund totaled \$10,185,636 in 2017. The General Fund's cash balance decreased \$170,653 from 2016 to 2017.
- The Permanent Improvement Fund had cash receipts of \$75,951 in 2017. The cash disbursements of the Permanent Improvement Fund totaled \$1,781,431 in 2017. The Permanent Improvement Fund cash balance decreased \$1,705,480 from 2016 to 2017.
- The Classroom Facilities Fund had cash receipts of \$11,836 in 2017. The cash disbursements of the Classroom Facilities Fund totaled \$3,010,092 in 2017. The Classroom Facilities Fund cash balance decreased \$2,998,256 from 2016 to 2017.

Using this Cash Basis Basic Financial Statements (BFS)

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

Reporting the District as a Whole

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

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did the District perform financially during 2017?" These statements include *only net cash position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The District has no proprietary funds.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Permanent Improvement Fund and the Classroom Facilities Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund is presented to demonstrate the District's compliance with annually adopted budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds are a private-purpose trust fund used to account for scholarships and an agency fund.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Recall that the statement of net position – cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash position at June 30, 2017 and June 30, 2016.

	Net Cash Position	
	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 7,534,434	\$ 12,353,829
<u>Net Cash Position</u>		
Restricted	1,010,138	4,665,729
Unrestricted	6,524,296	7,688,100
Total net cash position	<u>\$ 7,534,434</u>	<u>\$ 12,353,829</u>

The total net cash position of the District decreased \$4,819,395 from fiscal year 2016. This decrease can be attributed to the funds expended for a school construction project under the State of Ohio Classroom Facilities Assistance Program (CFAP).

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

The balance of government-wide unrestricted net cash position of \$6,524,296 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2017 and 2016.

	Change in Net Cash Position	
	Governmental Activities 2017	Governmental Activities 2016
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 959,093	\$ 708,426
Operating grants and contributions	1,287,672	1,216,364
Total program cash receipts	<u>2,246,765</u>	<u>1,924,790</u>
General cash receipts:		
Property and other taxes	3,799,045	3,825,181
Unrestricted grants	5,484,253	5,566,183
Restricted grants	-	276,000
Lease purchase transaction	-	1,000,000
Investment earnings	86,532	100,294
Other	184,537	135,663
Total general cash receipts	<u>9,554,367</u>	<u>10,903,321</u>
Total cash receipts	<u>11,801,132</u>	<u>12,828,111</u>

- (Continued)

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

	Governmental Activities 2017	Governmental Activities 2016
Cash Disbursements:		
Instruction:		
Regular	4,233,802	3,855,663
Special	1,465,325	1,433,305
Vocational	472,375	456,822
Other	417,005	407,074
Support services:		
Pupil	444,341	393,762
Instructional staff	434,174	421,683
Board of education	64,578	45,573
Administration	789,406	772,227
Fiscal	371,940	359,810
Operations and maintenance	701,082	421,620
Pupil transportation	439,686	278,066
Central	1,399	-
Operation of non-instructional services:		
Other non-instructional services	207,532	201,467
Food service operations	395,044	375,428
Extracurricular	457,086	363,710
Facilities acquisition and construction	5,069,510	20,334,362
Debt service:		
Principal retirement	70,000	5,000
Interest and fiscal charges	586,242	590,386
Total cash disbursements	16,620,527	30,715,958
Change in net cash position	(4,819,395)	(17,887,847)
Net cash position at beginning of year	12,353,829	30,241,676
Net cash position at end of year	\$ 7,534,434	\$ 12,353,829

Governmental Activities

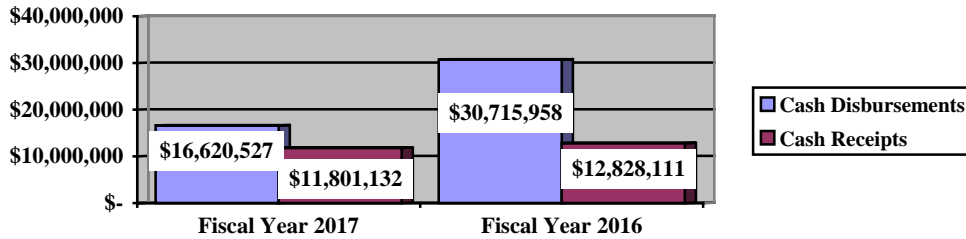
Governmental cash position decreased \$4,819,395 in fiscal year 2017 from fiscal year 2016. Governmental program receipts of \$2,246,765 and general receipts of \$9,554,367 were not adequate to offset governmental disbursements of \$16,620,527. Program revenues supported 13.52% of the total governmental disbursements. The decrease in disbursements can be attributed to the decrease in facilities acquisition and construction disbursements relating to finishing the District's school construction project.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These receipt sources represent 78.66% of total governmental receipts. Real estate is reappraised every six years.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



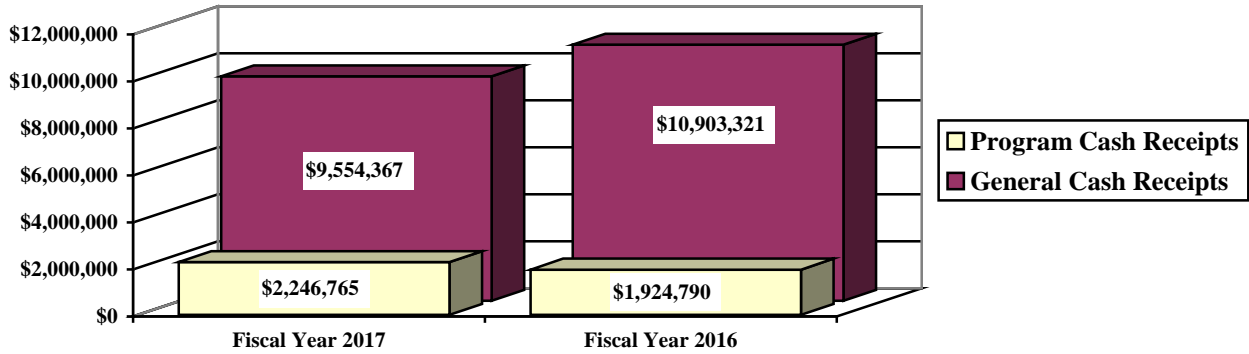
	Governmental Activities			
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Cash disbursements				
Instruction:				
Regular	\$ 4,233,802	\$ 3,717,684	\$ 3,855,663	\$ 3,461,408
Special	1,465,325	716,306	1,433,305	745,041
Vocational	472,375	383,027	456,822	388,294
Other	417,005	383,867	407,074	393,194
Support services:				
Pupil	444,341	431,988	393,762	380,144
Instructional staff	434,174	383,793	421,683	390,811
Board of education	64,578	64,578	45,573	45,573
Administration	789,406	788,035	772,227	770,977
Fiscal	371,940	371,940	359,810	359,806
Operations and maintenance	701,082	626,550	421,620	410,170
Pupil transportation	439,686	386,914	278,066	234,098
Central	1,399	1,399	-	-
Operation of non-instruction services:				
Other non-instructional services	207,532	28,510	201,467	1,322
Food service operations	395,044	4,968	375,428	23,010
Extracurricular	457,086	358,451	363,710	257,572
Facilities acquisition and construction	5,069,510	5,069,510	20,334,362	20,334,362
Debt service:				
Principal retirement	70,000	70,000	5,000	5,000
Interest and fiscal charges	586,242	586,242	590,386	590,386
Total	<u>\$ 16,620,527</u>	<u>\$ 14,373,762</u>	<u>\$ 30,715,958</u>	<u>\$ 28,791,168</u>

The dependence upon general cash receipts for governmental activities is apparent; with 86.48% of cash disbursements supported through taxes and other general cash receipts during 2017.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The District's governmental funds reported a combined fund cash balance of \$7,534,434, which is \$4,819,395 less than last year's total of \$12,353,829. This decrease can be attributed to facilities acquisition and construction expenses through the CFAP construction project. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2017</u>	Fund Cash Balance <u>June 30, 2016</u>	<u>Change</u>
Major Funds:			
General	\$ 5,527,246	\$ 5,697,899	\$ (170,653)
Permanent Improvement	997,050	2,702,530	(1,705,480)
Classroom Facilities	458,791	3,457,047	(2,998,256)
Other Nonmajor Governmental Funds	<u>551,347</u>	<u>496,353</u>	<u>54,994</u>
Total	<u>\$ 7,534,434</u>	<u>\$ 12,353,829</u>	<u>\$ (4,819,395)</u>

General Fund

The General Fund, the District's primary major fund, had cash receipts of \$10,014,983 in 2017. The cash disbursements of the General Fund, totaled \$10,185,636 in 2017. The General Fund's cash balance decreased \$170,653 from 2016 to 2017. The tables that follow assist in illustrating the cash receipts and expenditures of the General Fund.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

	2017 Amount	2016 Amount	Percentage Change
<u>Cash Receipts:</u>			
Taxes	\$ 3,140,119	\$ 3,090,395	1.61 %
Tuition	438,408	339,965	28.96 %
Transportation fees	12,666	4,406	187.47 %
Earnings on investments	74,696	56,449	32.32 %
Other local revenues	379,726	299,752	26.68 %
Intergovernmental	5,969,368	5,896,678	1.23 %
Total	<u>\$ 10,014,983</u>	<u>\$ 9,687,645</u>	3.38 %
<u>Cash Disbursements</u>			
Instruction	\$ 6,337,836	\$ 5,907,739	7.28 %
Support services	3,138,341	2,604,476	20.50 %
Operation of non instruction	3,716	1,984	87.30 %
Extracurricular	351,433	259,951	35.19 %
Facilities acquisition and construction	265,993	80,920	228.71 %
Interest and fiscal charges	88,317	27,311	223.38 %
Other financing uses	-	1,000,230	(100.00) %
Total	<u>\$ 10,185,636</u>	<u>\$ 9,882,611</u>	3.07 %

Overall receipts increased from 2016 with an increase of \$327,338 or 3.38%. The increase in earnings on investments is due to an increase in interest rates earned on investments. The increase in other local receipts can be attributed to an increase in miscellaneous receipts received during 2017. The increase in intergovernmental receipts can be attributed to an increase in grants received from the state in 2017.

Overall disbursements increased from 2016 with an increase of \$303,025 or 3.07% from 2016. The increase in facilities acquisition and construction and interest and fiscal charges and decrease in other financing uses is related to debt and construction activity.

Permanent Improvement Fund

The Permanent Improvement Fund had cash receipts of \$75,951 in 2017. The cash disbursements of the Permanent Improvement Fund, totaled \$1,781,431 in 2017.

Classroom Facilities Fund

The Classroom Facilities Fund had cash receipts of \$11,836 in 2017. The cash disbursements of the Classroom Facilities Fund, totaled \$3,010,092 in 2017.

Budgeting Highlights - General Fund

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

For the General Fund, final budget basis receipts were \$340,922 greater than the original budget estimates. Actual cash receipts of \$9,978,509 were more than final budget estimates by \$278,702. Final budget basis disbursements and other financing uses were \$1,470,012 above original budget estimates. The actual budgetary basis disbursements and other financing uses of \$10,767,807 were \$929,816 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had \$5,069,510 in facilities acquisition and construction disbursements during fiscal year 2017.

Debt Administration

At June 30, 2017, the District had the following long-term obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 10,964,721	\$ 10,944,127
Lease-purchase obligation	<u>935,000</u>	<u>1,000,000</u>
Total	<u>\$ 11,899,721</u>	<u>\$ 11,944,127</u>

See Note 6 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The preceding financial information reveals that Carey Exempted Village School District has done an excellent job of managing the funds available to them. After thirteen years without seeking new operating money, the District requested, and the voters approved, a one percent income tax levy in November 2004. Five year renewals for the income tax levy were approved by the voters in November 2008 and May 2014. This levy is necessary due to the cost of increased academic and testing requirements along with the increased financial stress and burden placed on school districts by the state in recent years through the shifting of funding.

Effective millage rates have been at the required 20 mil floor since calendar year 2004. This has resulted in some amount of real property tax growth.

Due to House Bill 66, additional local dollars have been lost in the form of reduced personal tangible property taxes. All personal tangible property taxes have been phased out as of May 2009. These taxes provided in excess of \$1,000,000 in revenue in 2005. This means that the District lost about 17% of its revenue stream. HB153 provided an accelerated phase out of the TPP reimbursement. The District lost 25 percent of the reimbursement in fiscal year 2012 and another 25 percent in fiscal year 2013. The most recent state budget continues the phase out. The District has been able to overcome the loss of TPP in part due to CAUV increases and proper fiscal management.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)**

The enrollment pattern has resulted in a very slight decline in recent years. Open enrollment figures for recent years show a positive number of students entering the District over those leaving the District. Students attending community schools have increased in recent years. Open enrollment and community school numbers are uncertain from year to year and are therefore monitored closely.

The Carey Exempted Village School District is committed to educational and financial excellence. The community has been very supportive of the school in all aspects of the educational process. We feel confident that this amiable relationship will continue and will benefit the entire community for many years to come.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Karen Phillips, Treasurer, Carey Exempted Village School District, 2016 Blue Devil Drive, Carey, Ohio 43316-1273.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	<u>\$ 7,534,434</u>
 Net cash position:	
Restricted for:	
Capital projects	\$ 499,201
Classroom facilities maintenance	215,279
Debt service.	131,659
Locally funded programs	3,272
State funded programs.	42,646
Federally funded programs	18
Student activities	30,686
Food services	87,377
Unrestricted	<u>6,524,296</u>
Total net cash position.	<u>\$ 7,534,434</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

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

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 4,233,802	\$ 508,028	\$ 8,090	\$ (3,717,684)
Special	1,465,325	1,828	747,191	(716,306)
Vocational	472,375	-	89,348	(383,027)
Other	417,005	33,138	-	(383,867)
Support services:				
Pupil.	444,341	-	12,353	(431,988)
Instructional staff	434,174	-	50,381	(383,793)
Board of education	64,578	-	-	(64,578)
Administration.	789,406	-	1,371	(788,035)
Fiscal.	371,940	-	-	(371,940)
Operations and maintenance	701,082	74,532	-	(626,550)
Pupil transportation.	439,686	29,527	23,245	(386,914)
Central	1,399	-	-	(1,399)
Operation of non-instructional services:				
Other non-instructional services	207,532	-	179,022	(28,510)
Food service operations	395,044	213,830	176,246	(4,968)
Extracurricular activities.	457,086	98,210	425	(358,451)
Facilities acquisition and construction	5,069,510	-	-	(5,069,510)
Debt service:				
Principal retirement	70,000	-	-	(70,000)
Interest and fiscal charges	586,242	-	-	(586,242)
Total governmental activities	\$ 16,620,527	\$ 959,093	\$ 1,287,672	(14,373,762)

General cash receipts:

Property taxes levied for:	
General purposes	1,964,454
Debt service.	552,991
Capital outlay.	65,607
Special revenues.	40,328
Income taxes levied for:	
General purposes	1,175,665
Grants and entitlements not restricted	
to specific programs	5,484,253
Investment earnings	86,532
Miscellaneous	184,537
Total general cash receipts	9,554,367
Change in net cash position	(4,819,395)
Net cash position at beginning of year	12,353,829
Net cash position at end of year.	\$ 7,534,434

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 5,527,246	\$ 997,050	\$ 458,791	\$ 551,347	\$ 7,534,434
Fund cash balances:					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 131,659	\$ 131,659
Capital improvements	-	-	458,791	40,410	499,201
Classroom facilities maintenance	-	-	-	215,279	215,279
Food service operations	-	-	-	87,377	87,377
Non-public schools	-	-	-	42,646	42,646
Targeted academic assistance	-	-	-	18	18
Other purposes.	-	-	-	3,272	3,272
Extracurricular activities.	-	-	-	30,686	30,686
Committed:					
Capital improvements	-	997,050	-	-	997,050
Termination benefits.	92,571	-	-	-	92,571
Assigned:					
Student instruction	100,588	-	-	-	100,588
Student and staff support.	392,061	-	-	-	392,061
Extracurricular activities	19,060	-	-	-	19,060
Facilities acquisition and construction	92,154	-	-	-	92,154
Subsequent year's appropriations	867,668	-	-	-	867,668
Operation of non-instructional	3,034	-	-	-	3,034
Unassigned	3,960,110	-	-	-	3,960,110
Total fund cash balances	<u>\$ 5,527,246</u>	<u>\$ 997,050</u>	<u>\$ 458,791</u>	<u>\$ 551,347</u>	<u>\$ 7,534,434</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:					
From local sources:					
Property taxes	\$ 1,964,454	\$ 65,607	\$ -	\$ 593,319	\$ 2,623,380
Income taxes.	1,175,665	-	-	-	1,175,665
Tuition.	438,408	-	-	-	438,408
Transportation fees.	12,666	-	-	-	12,666
Earnings on investments	74,696	-	11,836	207	86,739
Charges for services	-	-	-	213,830	213,830
Extracurricular.	36,474	-	-	111,735	148,209
Classroom materials and fees	49,790	-	-	-	49,790
Rental income	74,532	-	-	-	74,532
Contributions and donations	12,735	-	-	500	13,235
Contract services.	21,658	-	-	-	21,658
Other local revenues	184,537	-	-	9,425	193,962
Intergovernmental - intermediate	16,000	-	-	2,400	18,400
Intergovernmental - state	5,953,368	10,344	-	264,590	6,228,302
Intergovernmental - federal	-	-	-	502,356	502,356
Total cash receipts	<u>10,014,983</u>	<u>75,951</u>	<u>11,836</u>	<u>1,698,362</u>	<u>11,801,132</u>
Cash disbursements:					
Current:					
Instruction:					
Regular.	4,227,533	-	-	6,269	4,233,802
Special	1,220,923	-	-	244,402	1,465,325
Vocational	472,375	-	-	-	472,375
Other	417,005	-	-	-	417,005
Support services:					
Pupil	432,295	-	-	12,046	444,341
Instructional staff	381,265	-	-	52,909	434,174
Board of education	64,578	-	-	-	64,578
Administration	788,092	-	-	1,314	789,406
Fiscal	348,757	2,413	-	20,770	371,940
Operations and maintenance	701,082	-	-	-	701,082
Pupil transportation	420,873	-	-	18,813	439,686
Central	1,399	-	-	-	1,399
Operation of non-instructional services:					
Other non-instructional services.	3,716	-	-	203,816	207,532
Food service operations.	-	-	-	395,044	395,044
Extracurricular activities	351,433	-	-	105,653	457,086
Facilities acquisition and construction.	265,993	1,779,018	3,010,092	14,407	5,069,510
Debt service:					
Principal retirement.	65,000	-	-	5,000	70,000
Interest and fiscal charges	23,317	-	-	562,925	586,242
Total cash disbursements	<u>10,185,636</u>	<u>1,781,431</u>	<u>3,010,092</u>	<u>1,643,368</u>	<u>16,620,527</u>
Net change in fund cash balances	(170,653)	(1,705,480)	(2,998,256)	54,994	(4,819,395)
Fund cash balances at beginning of year. . .	<u>5,697,899</u>	<u>2,702,530</u>	<u>3,457,047</u>	<u>496,353</u>	<u>12,353,829</u>
Fund cash balances at end of year.	<u>\$ 5,527,246</u>	<u>\$ 997,050</u>	<u>\$ 458,791</u>	<u>\$ 551,347</u>	<u>\$ 7,534,434</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 1,894,585	\$ 1,963,600	\$ 1,964,454	\$ 854
Income taxes.	1,134,344	1,175,665	1,175,665	-
Tuition.	403,889	418,602	438,408	19,806
Transportation fees.	4,052	4,200	12,666	8,466
Earnings on investments	65,831	68,229	74,696	6,467
Classroom materials and fees	45,220	46,867	49,790	2,923
Rental income	67,540	70,000	74,532	4,532
Contributions and donations	11,578	12,000	12,735	735
Contract services.	9,695	10,048	21,658	11,610
Other local revenues	169,544	175,720	184,537	8,817
Intergovernmental - intermediate	15,438	16,000	16,000	-
Intergovernmental - state	5,537,169	5,738,876	5,953,368	214,492
Total budgetary basis receipts	<u>9,358,885</u>	<u>9,699,807</u>	<u>9,978,509</u>	<u>278,702</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	3,891,433	4,441,194	4,296,723	144,471
Special.	1,154,584	1,317,648	1,236,238	81,410
Vocational.	418,515	477,623	482,149	(4,526)
Other.	405,623	462,910	395,650	67,260
Support services:				
Pupil.	427,073	487,389	450,569	36,820
Instructional staff	413,278	471,646	420,019	51,627
Board of education	89,417	102,045	98,735	3,310
Administration.	707,945	807,929	793,291	14,638
Fiscal	322,149	367,647	353,638	14,009
Operations and maintenance.	938,795	1,071,382	929,701	141,681
Pupil transportation	445,191	508,066	473,584	34,482
Central.	3,943	4,500	3,399	1,101
Operation of non-instructional services:				
Other non-instructional services	8,438	9,630	6,750	2,880
Extracurricular activities.	302,373	345,078	366,897	(21,819)
Facilities acquisition and construction	314,140	358,507	358,147	360
Debt service:				
Principal	56,956	65,000	65,000	-
Interest and fiscal charges.	20,431	23,317	23,317	-
Total budgetary basis disbursements	<u>9,920,284</u>	<u>11,321,511</u>	<u>10,753,807</u>	<u>567,704</u>
Excess of cash disbursements over cash receipts.	<u>(561,399)</u>	<u>(1,621,704)</u>	<u>(775,298)</u>	<u>846,406</u>
Other financing uses:				
Transfers (out).	<u>(307,327)</u>	<u>(376,112)</u>	<u>(14,000)</u>	<u>362,112</u>
Net change in fund cash balance	(868,726)	(1,997,816)	(789,298)	1,208,518
Fund cash balance at beginning of year . .	5,127,344	5,127,344	5,127,344	-
Prior year encumbrances appropriated . .	479,454	479,454	479,454	-
Fund cash balance at end of year	<u>\$ 4,738,072</u>	<u>\$ 3,608,982</u>	<u>\$ 4,817,500</u>	<u>\$ 1,208,518</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 24,997	\$ 99,900
Net cash position:		
Held for student activities	\$ -	\$ 99,900
Held in trust for scholarships	24,997	-
Total net cash position.	\$ 24,997	\$ 99,900

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 28
Gifts and contributions.	3,427
Total additions.	3,455
 Deductions:	
Scholarships awarded	3,600
Change in net cash position	(145)
Net cash position at beginning of year. . . .	25,142
Net cash position at end of year	\$ 24,997

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1886. The District serves an area of approximately fifty square miles. It is located in Wyandot and Seneca Counties. It is staffed by 41 classified employees, 64 certified employees and 5 administrators who provide services to 814 students and other community members. The District currently operates one building which serves grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

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

Our Lady of Consolation

Within the District's boundaries, Our Lady of Consolation is operated as a private Catholic 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 District, as directed by the parochial school. The financial activity is reflected in a special revenue fund (other governmental fund) of the District.

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

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

The Governing Board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Ray Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 E Market Street, Celina, Ohio 45822.

PUBLIC ENTITY RISK POOLS

Ohio School Board Association Workers' Compensation Group Retro Program

The District participated in the group retro program for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Board Association Workers' Compensation Group Rating Program (the Program) was established through the Ohio School Board Association (OSBA) as a group purchasing pool.

The Executive Director of the OSBA, or his designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program.

Wyandot-Crawford Health Benefit Plan

The Wyandot-Crawford Health Benefit Plan (the Plan) is a public entity shared risk pool consisting of seven school districts. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c) (9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to employees of the participating school districts. Each participating school district's

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

superintendent and treasurer are appointed to the Board of Directors which advises the Trustee, Huntington Trust Company, N.A., concerning aspects of the administration of the Plan.

Each school district decides which benefit program offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Kathleen Chapin, Huntington National Bank, PO Box 1558, Columbus, Ohio 43216.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

RELATED ORGANIZATION

Dorcas Carey Library

The Dorcas Carey Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Carey Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Dorcas Carey Library, Tonia Clements, Fiscal Officer, 236 East Findlay Street, Carey, Ohio 43316.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported on the budgetary statement are due to current year encumbrances being added to disbursements reported on the budgetary statement. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for monies received and disbursed in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash 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 cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private-purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

D. Basis of Presentation

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly 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 District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation 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 legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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.

The Early Childhood Preschool Special Revenue Fund is a flow through grant in which the North Central Ohio Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the District's reporting entity for which the "appropriated budget" is adopted.

Tax Budget:

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

By no later than January 20, the Board-adopted budget is filed with the Wyandot County Budget Commission for tax 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 revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement for the General Fund reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2017.

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. Prior to the passage of the annual appropriation resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

the certificate of estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education 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. All supplemental appropriations were legally enacted by the Board during fiscal year 2017.

The budget figures which appear in the statement of budgetary comparison for the General Fund represent the original and final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by the North Central Ohio Educational Service Center, consistent with statutory provisions.

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.

F. Cash and Investments

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

During fiscal year 2017, investments were limited to non-negotiable certificates of deposit, negotiable certificates of deposit, U.S. government money market mutual funds, and investments in the State Treasury Asset Reserve of Ohio (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 District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

At June 30, 2017, the fair value of the District's investments was \$5,237,879 which is \$4,678 less than their carrying value.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$74,696, which includes \$23,524 assigned from other funds.

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

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

G. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Fund Cash Balance

The District reports classifications of fund cash balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy,

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the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available.

L. Stabilization Arrangement

The Board of Education has \$102,963 of unassigned fund balance in the General Fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

M. Interfund Activity

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

N. Extraordinary and Special Items

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

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including

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refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, *“Tax Abatement Disclosures”*, GASB Statement No. 78, *“Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”*, GASB Statement No. 80, *“Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14”* and GASB Statement No. 82, *“Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73”*.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 16); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred

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inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits (including non-negotiable certificates of deposits of \$1,050,000) was \$2,416,774. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$1,108,977 of the District's bank balance of \$2,470,846 was exposed to custodial risk as discussed below, while \$1,361,869 was covered by the Federal Deposit Insurance Corporation.

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

B. Investments

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

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<u>Investment type</u>	<u>Net Asset Value/ Carrying Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 1,655,263	\$ 1,655,263	\$ -	\$ -	\$ -	\$ -
U.S. Government money market mutual fund	94,294	94,294	-	-	-	-
Negotiable CD's	<u>3,493,000</u>	<u>250,000</u>	<u>350,000</u>	<u>483,000</u>	<u>250,000</u>	<u>2,160,000</u>
Total	<u>\$ 5,242,557</u>	<u>\$ 1,999,557</u>	<u>\$ 350,000</u>	<u>\$ 483,000</u>	<u>\$ 250,000</u>	<u>\$ 2,160,000</u>

Interest Rate Risk: The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Standard & Poor's has also assigned the U.S. Government money market mutual fund an AAAM money market rating. The negotiable certificates of deposit are fully insured by the FDIC. The District has no investment policy that would further limit its investment choices.

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

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

<u>Investment type</u>	<u>NAV/</u>	
	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,655,263	31.57
U.S. Government money market mutual fund	94,294	1.80
Negotiable CD's	<u>3,493,000</u>	<u>66.63</u>
Total	<u>\$ 5,242,557</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position - cash basis as of June 30, 2017:

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Cash and investments per note

Carrying amount of deposits	\$ 2,416,774
Investments	<u>5,242,557</u>
Total	<u>\$ 7,659,331</u>

Cash and investments per statement of net position - cash basis

Governmental activities	\$ 7,534,434
Private-purpose trust fund	24,997
Agency fund	<u>99,900</u>
Total	<u>\$ 7,659,331</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wyandot and Seneca Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

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	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 94,615,180	97.24	\$ 98,147,880	96.58
Public utility personal	2,682,880	2.76	3,472,670	3.42
Total	\$ 97,298,060	100.00	\$ 101,620,550	100.00
Tax rate per \$1,000 of assessed valuation	\$59.65		\$56.65	

NOTE 6 - LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during the year consist of the following:

	Balance 6/30/16	Increases	Decreases	Balance 6/30/17	Amount Due in One Year
<u>General Obligation Bonds:</u>					
Series 2013					
Current interest	\$ 10,845,000	\$ -	\$ (5,000)	\$ 10,840,000	\$ 30,000
Capital appreciation bonds	55,000	-	-	55,000	-
Accreted interest on bonds	44,127	25,594	-	69,721	-
Total General Obligation Bonds	10,944,127	25,594	(5,000)	10,964,721	30,000
Lease-purchase agreement	1,000,000	-	(65,000)	935,000	95,000
Total governmental activities	\$ 11,944,127	\$ 25,594	\$ (70,000)	\$ 11,899,721	\$ 125,000

See Note 7 for detail on the lease-purchase agreement.

B. Series 2013 General Obligation Bonds

On September 5, 2013, the District issued general obligation bonds, in the amount of \$10,905,000, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$75,000, \$10,775,000 and \$55,000. The bonds are retired from the Bond Retirement Fund, with a portion of the proceeds of a 6.5 mill voted property tax levy.

The capital appreciation bonds bear interest, compounded semi-annually on May 1 and November 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2024 through 2032. The maturity amount of the capital appreciation bonds is \$1,320,000 with \$1,265,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2017 is \$69,721.

Future debt requirements are below:

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Year	Series 2013A					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 30,000	\$ 562,400	\$ 592,400	\$ -	\$ -	\$ -
2019	35,000	561,425	596,425	-	-	-
2020	40,000	560,300	600,300	-	-	-
2021	65,000	558,400	623,400	-	-	-
2022	70,000	555,700	625,700	-	-	-
2023 - 2027	75,000	2,758,000	2,833,000	30,000	430,000	460,000
2028 - 2032	-	2,756,500	2,756,500	25,000	835,000	860,000
2033 - 2037	1,370,000	2,593,780	3,963,780	-	-	-
2038 - 2042	2,185,000	2,145,729	4,330,729	-	-	-
2043 - 2047	3,280,000	1,448,034	4,728,034	-	-	-
2048 - 2051	3,690,000	415,489	4,105,489	-	-	-
Total	<u>\$ 10,840,000</u>	<u>\$ 14,915,757</u>	<u>\$ 25,755,757</u>	<u>\$ 55,000</u>	<u>\$ 1,265,000</u>	<u>\$ 1,320,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006.

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effect of these debt limitations at June 30, 2017 was an unvoted debt margin of \$101,621. Pursuant to Ohio Revised Code Section 133.06, the District was able to exceed 9% of their tax valuation without receiving special needs approval from the State since the cost of their locally funded initiatives did not exceed fifty percent of the local share of their Ohio Schools Facilities Construction project.

NOTE 7 - LEASE-PURCHASE AGREEMENT

On March 31, 2016, the District entered into a lease-purchase financing agreement with The Huntington National Bank (the Bank) to finance the acquisition, construction, equipping, and furnishing of a new athletic building and a new bus garage. Under the agreement, the District, acting through the Board of Education (the Board), leased certain lands (the Project Site) to the Bank pursuant to a Site Lease Agreement dated as of March 31, 2016 (the Site Lease). The Bank, pursuant to a Lease Agreement dated March 31, 2016 (the Lease), subleased the Project Site and certain project facilities (the Project Facilities) to the Board on behalf of the District.

The Lease term commenced March 31, 2016 and renews annually through June 30, 2031. The Lease requires the District to make payments of principal each December 1 beginning December 1, 2016 and ending December 1, 2025. Interest payments are due June 1 and December 1 of each year during the Lease term.

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The Site Lease is for a term beginning on March 31, 2016 and ending on June 30, 2026; provided, however, in the event that the Lease is terminated by the prepayment of required principal and interest payments, then the term of the Site Lease shall terminate simultaneously with the termination of the Lease.

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 95,000	\$ 21,389	\$ 116,389
2019	95,000	19,099	114,099
2020	100,000	16,749	116,749
2021	100,000	14,339	114,339
2022	105,000	11,869	116,869
2023 - 2026	<u>440,000</u>	<u>21,570</u>	<u>461,570</u>
Present value of minimum lease payments	<u>\$ 935,000</u>	<u>\$ 105,015</u>	<u>\$ 1,040,015</u>

NOTE 8 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2017, the District purchased liability, property, and fleet insurance with Trident through Governmental Underwriters of America (GUA), 600 Superior Ave, Suite 1300, Cleveland, Ohio 44114. The District pays annual premiums based on the types and limits of coverage and deductibles selected.

Coverage provided by GUA is as follows:

Building and Contents - replacement cost (\$2,500 deductible)	\$26,617,880
EDP (\$500 deductible)	500,000
AV/Music/Misc Equip (\$500 deductible)	100,000 ea
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured and UnderInsured Motorists (\$1,000 deductible)	1,000,000
Collision (\$500 deductible)	
Other than Collision (\$250 deductible)	
General Liability-Aggregate	3,000,000
Per occurrence	1,000,000
Total per year	3,000,000
Excess Liability-Umbrella Form-each occurrence	2,000,000
Aggregate	2,000,000
Employee Dishonesty (\$250 deductible)	50,000
Forgery (\$250 deductible)	50,000
Money & Securities (\$250 deductible)	25,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

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B. Workers' Compensation

The District participated in the Ohio School Board Association Workers' Compensation Group Retro Program with Comp Management for calendar year 2012 and the Better Business Bureau Group Retro Program with Sheakley for calendar years 2013 and 2014, and returned to Comp Management for 2015 and 2016. During fiscal year 2017, Comp Management, Inc. provided administrative, cost control, assistance with safety programs, and actuarial services. A District representative attends monthly meetings with the Wyandot Safety Council.

C. Health Insurance

The District participates in the Wyandot-Crawford Health Benefit Plan (the Plan), a public entity shared risk pool consisting of six school districts (FY2017). The District pays monthly premiums to the Plan for medical, dental, and life insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. The Consortium also contracts with VSP for vision insurance.

NOTE 9 - PENSION PLANS

Net Pension Liability

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

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

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

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

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Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$164,914 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS,

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

275 E. Broad St., Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$579,260 for fiscal year 2017.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03398130%	0.03603520%	
Proportion of the net pension liability current measurement date	<u>0.03470450%</u>	<u>0.03723285%</u>	
Change in proportionate share	<u>0.00072320%</u>	<u>0.00119765%</u>	
Proportionate share of the net pension liability	\$ 2,540,049	\$ 12,462,957	\$ 15,003,006

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry age normal (level percent of payroll)

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) discount rate was reduced from 7.75% to 7.50%, (b) the assumed rate of inflation was reduced from 3.25% to 3.00%, (c) payroll growth assumption was reduced from 4.00% to 3.50%, (d) assumed real wage growth was reduced from 0.75% to 0.50%, (e) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (f) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (g) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (h) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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 earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,362,867	\$ 2,540,049	\$ 1,851,317

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$16,562,257	\$ 12,462,957	\$ 9,004,956

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$17,802, \$17,976, and \$8,389, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 11 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 12 - STATUTORY RESERVES

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2016	\$ -
Current year set-aside requirement	140,474
Current year qualifying disbursements	(140,474)
Current year offsets	<u>-</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside reserve balance June 30, 2017	<u>\$ -</u>

For the capital improvements reserve, qualifying disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash) and certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

<u>Net Change in Fund Cash Balance</u>	
Budget basis	\$ (789,298)
Net adjustment for disbursements	171
Funds budgeted elsewhere	14,414
Adjustment for encumbrances	<u>604,060</u>
Cash basis	<u>\$ (170,653)</u>

NOTE 14 - INCOME TAXES

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax became effective January, 2005. A five year renewal of the levy was passed in May 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

NOTE 15 - COMMITMENTS

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

	Year-End
<u>Fund Type</u>	<u>Encumbrances</u>
General Fund	\$ 606,285
Permanent Improvement Fund	681,928
Classroom Facilities Fund	446,034
Other nonmajor governmental	<u>119,001</u>
Total	<u>\$ 1,853,248</u>

NOTE 16 - TAX ABATEMENTS

The Village of Carey has entered into tax abatement agreements with CSP of Ohio, Hanon Systems USA, LLC and Wagner Ford for the abatement of real property taxes. Under the agreements established by Ohio Revised Code (ORC) 5709.632 and 3735.65 through 3735.70, the businesses agree to bring jobs and economic development into the Village in exchange for forgone property tax receipts. Under the agreements, the District's property tax receipts were abated by \$62,372. The District received \$62,372 from the businesses in association with the forgone tax receipts.

Crawford Township has entered into tax abatement agreements with PSD Development, LLC Ford for the abatement of real property taxes. Under the agreement established by Ohio Revised Code (ORC) 5709.632, the businesses agree to bring jobs and economic development into the Township in exchange for forgone property tax receipts. Under the agreements, the District's property tax receipts were abated by \$7,503. The District received \$7,503 from the business in association with the forgone tax receipts.



Dave Yost • Auditor of State

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

Carey Exempted Village School District
Wyandot County
2016 Blue Devil Drive
Carey, Ohio 43316-1273

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 9, 2018, wherein we noted the 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 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 District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

April 9, 2018

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office 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 Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

As a cost savings measure the 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 cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

Officials' Response:

The Carey Board of Education acknowledges that the State requires school districts to create GAAP reports once a year. The Board also acknowledges that to do so creates additional costs to the District for conversion and auditing. School districts currently operate on a cash basis. The GAAP conversion process takes several months and the information is, therefore, outdated before the GAAP report is complete. If the State wishes to have school districts report on a GAAP, or accrual basis, they should provide accrual accounting software that would also provide a balance sheet for the districts. It is the opinion of the Board and Administration that the GAAP conversion process is costly and time consuming to the District with little or no benefit to the District. Therefore, the District continues to report on a cash basis with OCBOA (Other Comprehensive Basis of Accounting) statements prepared annually.



Carey Exempted Village Schools

2016 Blue Devil Drive

Carey, Ohio 43316

Administration Office (419) 396-7922

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	Not Corrected. Repeated in this report as finding 2017-001.	The District continues to elect to file OCBOA financial statements.
2016-002	Significant deficiency due to errors over GASB 54 fund balance classifications.	Fully corrected.	



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CAREY EXEMPTED VILLAGE SCHOOL DISTRICT

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2018**