



OHIO AUDITOR OF STATE
KEITH FABER



**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY
JUNE 30, 2018**

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NOBLE COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Caldwell Exempted Village School District
Noble County
516 Fairground Street
Caldwell, Ohio 43724

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Caldwell Exempted Village School District, Noble County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 17, 2019

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Total net position of the School District increased by \$3,974,866. Restricted net position increased by \$58,484. Unrestricted net position increased by \$4,007,212.
- General revenues accounted for \$9,759,171 in revenues or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants, contributions, and interest accounted for \$1,966,575 or 17 percent of total revenues of \$11,725,746.
- The School District had \$7,750,880 in expenses related to governmental activities; only \$1,966,575 of these expenses were offset by program specific charges for services and sales, grants, contributions, or interest. General revenues (primarily intergovernmental revenues and property taxes) of \$9,759,171 were adequate to provide for these programs.
- The School District's only major fund was the General Fund. The General Fund had revenues of \$10,769,043 and expenditures of \$10,187,710. The General Fund's ending fund balance increased \$458,902.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Caldwell Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's General Fund with all other non-major funds presented in total in one column. In the case of Caldwell Exempted Village School District, the General Fund is by far the most significant fund.

Government-Wide Financial Statements

Statement of Net Position and the Statement of Activities

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

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities including instruction, support services, operation of non-instructional services, extracurricular activities, and interest.

Reporting the School 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 School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The analysis of the School District's major fund begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2018 compared to fiscal year 2017:

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 1
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	\$11,702,971	\$10,839,063	\$863,908
Capital Assets, Net	3,685,363	3,781,194	(95,831)
<i>Total Assets</i>	<u>15,388,334</u>	<u>14,620,257</u>	<u>768,077</u>
Deferred Outflows of Resources			
Pension	3,387,094	2,452,911	934,183
OPEB	211,289	18,528	192,761
<i>Total Deferred Outflows of Resources</i>	<u>3,598,383</u>	<u>2,471,439</u>	<u>1,126,944</u>
Liabilities			
Current and Other Liabilities	1,234,564	953,455	281,109
Long-term Liabilities:			
Due Within One Year	63,390	68,635	(5,245)
Due in More than One Year:			
Net Pension Liability	9,005,840	11,506,393	(2,500,553)
Net OPEB Liability	2,080,002	2,412,046	(332,044)
Other Amounts	276,006	235,759	40,247
<i>Total Liabilities</i>	<u>12,659,802</u>	<u>15,176,288</u>	<u>(2,516,486)</u>
Deferred Inflows of Resources			
Property Taxes	2,603,269	2,563,470	39,799
Pension	664,092	499,459	164,633
OPEB	232,209	0	232,209
<i>Total Deferred Inflows of Resources</i>	<u>3,499,570</u>	<u>3,062,929</u>	<u>436,641</u>
Net Position			
Net Investment in Capital Assets	3,675,298	3,766,128	(90,830)
Restricted	146,188	87,704	58,484
Unrestricted	(994,141)	(5,001,353)	4,007,212
<i>Total Net Position</i>	<u>\$2,827,345</u>	<u>(\$1,147,521)</u>	<u>\$3,974,866</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Caldwell Exempted Village School District, Ohio
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For the Fiscal Year Ended June 30, 2018
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
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In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$1,245,997 to (\$1,147,521).

Total assets of governmental activities increased \$768,077. Current and other assets increased \$863,908. Current assets increased primarily due to an increase in equity in pooled cash and cash equivalents of \$371,201, an increase in cash and cash equivalents with fiscal agents of \$299,629, and an increase in property taxes receivable of \$126,824, with an offsetting decrease in accounts receivable of \$66,332. The decrease in accounts receivable was mainly due to a large one time receivable in 2017. The increase in cash and cash equivalents was primarily due to increases in Foundation and grant funding.

Total liabilities of governmental activities decreased \$2,516,486. Liabilities decreased primarily due to decreases in the net pension liability and net OPEB liability of \$2,500,553 and \$332,044, respectively. These decreases were offset by an increase in accrued wages and benefits payable of \$46,854 and an increase in claims payable of \$282,200.

Table 2 shows the changes in net position for fiscal year 2018 and comparisons to fiscal year 2017:

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services and Sales	\$728,505	\$777,149	(\$48,644)
Operating Grants, Contributions, and Interest	<u>1,238,070</u>	<u>1,266,075</u>	<u>(28,005)</u>
Total Program Revenues	<u>1,966,575</u>	<u>2,043,224</u>	<u>(76,649)</u>
General Revenues			
Property Taxes	3,883,212	3,796,488	86,724
Grants and Entitlements	5,735,217	5,613,242	121,975
Interest	76,711	24,360	52,351
Contributions and Donations	7,497	3,597	3,900
Gain on Sale of Capital Assets	1,853	0	1,853
Miscellaneous	<u>54,681</u>	<u>39,960</u>	<u>14,721</u>
Total General Revenues	<u>9,759,171</u>	<u>9,477,647</u>	<u>281,524</u>
Total Revenues	<u>11,725,746</u>	<u>11,520,871</u>	<u>204,875</u>
Program Expenses			
Instruction			
Regular	2,758,802	4,622,291	(1,863,489)
Special	1,140,530	1,554,680	(414,150)
Vocational	62,792	100,336	(37,544)
Adult/Continuing	1,724	1,010	714
Student Intervention	4,744	4,491	253
Support Services			
Pupils	359,910	525,139	(165,229)
Instructional Staff	212,379	251,752	(39,373)
Board of Education	63,083	50,930	12,153
Administration	644,185	877,609	(233,424)
Fiscal	342,470	350,477	(8,007)
Business	3,099	3,036	63
Operation and Maintenance of Plant	832,964	674,119	158,845
Pupil Transportation	695,733	605,421	90,312
Central	3,800	3,800	0
Operation of Non-Instructional Services	409,094	435,554	(26,460)
Extracurricular Activities	214,272	282,837	(68,565)
Interest	<u>1,299</u>	<u>1,779</u>	<u>(480)</u>
Total Expenses	<u>7,750,880</u>	<u>10,345,261</u>	<u>(2,594,381)</u>
Change in Net Position	3,974,866	1,175,610	2,799,256
Net Position (Deficit) Beginning of Year	<u>(1,147,521)</u>	N/A	
Net Position (Deficit) End of Year	<u>\$2,827,345</u>	<u>(\$1,147,521)</u>	<u>\$3,974,866</u>

Caldwell Exempted Village School District, Ohio
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Unaudited

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$18,528 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$266,789. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$7,750,880
Negative OPEB expense under GASB 75	266,789
2018 contractually required contribution	<u>25,807</u>
Adjusted 2018 program expenses	8,043,476
Total 2017 program expenses under GASB 45	<u>10,345,261</u>
Decrease in program expenses not related to OPEB	<u><u>(\$2,301,785)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 15) As a result of these changes, pension expense decreased from \$958,061 in fiscal year 2017 to a negative pension expense of \$2,634,097 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$1,769,770)
Special	(309,228)
Vocational	(41,872)
Support Services :	
Pupils	(74,307)
Instructional Staff	(18,573)
Board of Education	(408)
Administration	(332,100)
Fiscal	(5,688)
Operation and Maintenance of Plant	(9,225)
Pupil Transportation	(11,104)
Operation of	
Non-Instructional	
Food Service Operations	(8,579)
Extracurricular Activities	<u>(53,243)</u>
Total Expenses	<u><u>(\$2,634,097)</u></u>

From fiscal year 2017 to fiscal year 2018, total revenues increased \$204,875. Total expenses decreased \$2,594,381. This resulted in an increase in net position of \$2,799,256.

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2018	2018	2017	2017
Program Expenses				
Instruction:				
Regular	\$2,758,802	\$2,363,168	\$4,622,291	\$4,157,567
Special	1,140,530	453,742	1,554,680	882,976
Vocational	62,792	5,277	100,336	48,440
Adult/Continuing	1,724	1,724	1,010	1,010
Student Intervention	4,744	4,744	4,491	4,491
Support Services:				
Pupils	359,910	295,257	525,139	465,112
Instructional Staff	212,379	90,293	251,752	65,633
Board of Education	63,083	63,083	50,930	50,930
Administration	644,185	591,460	877,609	832,301
Fiscal	342,470	342,470	350,477	350,477
Business	3,099	3,099	3,036	3,036
Operation and Maintenance of Plant	832,964	818,545	674,119	656,450
Pupil Transportation	695,733	686,784	605,421	599,755
Central	3,800	3,800	3,800	3,800
Operation of Non-Instructional Services	409,094	817	435,554	54,847
Extracurricular Activities	214,272	58,743	282,837	123,433
Interest	1,299	1,299	1,779	1,779
Total	\$7,750,880	\$5,784,305	\$10,345,261	\$8,302,037

The dependence upon tax revenues for governmental activities is apparent. Approximately 75 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,655,926 and expenditures of \$11,156,546. The School District continued to focus its efforts to monitor expenditures, with modest increases in supply and purchased services budgets, as well as maintaining current personnel staffing levels.

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its General Fund appropriations, but not significantly. The School District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

For the General Fund, budget basis revenue was \$10,522,050, above final estimates of \$9,906,366. Final estimates were higher than the original estimates of \$9,905,482.

Original appropriations were \$10,969,088. Original appropriations were decreased \$20,000 in various functions. Actual expenditures were under appropriations by \$534,966 due to the School District monitoring their spending during fiscal year 2018.

The School District's ending General Fund budgetary balance was \$4,513,931.

Capital Assets and Debt Administration

At the end of fiscal year 2018, the School District had \$3,685,363 invested in land; buildings and improvements; vehicles; and machinery, equipment, furniture, and fixtures in governmental activities. See Note 10 for more detailed information of the School District's capital assets.

At fiscal year end, the School District had one capital lease outstanding. See Notes 17 and 18 for more information on the School District's long-term liabilities.

Current Issues

Despite the School District's increasing cash balance since the passage of the tax levy in 2013, the District continues to struggle with the same financial issues that will soon lead to deficit spending in upcoming fiscal years. The three main areas of fiscal concern are: special education, CCP/Community Schools, and open enrollment. Special education student enrollment has increased annually for the past several years. However, the types of disabilities many of these students possess are severe enough to require the employment of one-on-one aides, in addition to occupational, physical and/or emotional therapies. Oddly, surrounding districts have not experienced this same increase in students with these types of disabilities. Another expense that continues to handcuff the District is the number of students who are educated at community/charter schools, as well as those who attend the vocational school and local colleges for college credit plus coursework. Since State foundation funds follow the student, the District is losing valuable funding in greater amounts each fiscal year. The largest financial drain comes from students who open-enroll to neighboring school districts. The net loss between incoming and outgoing open-enrollment students annually exceeds \$400,000. In an attempt to offset these fiscal issues, the District has begun reducing its staffing through attrition by not replacing teachers who resign or retire.

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Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Croucher, Treasurer at Caldwell Exempted Village School District, 516 Fairground St., Caldwell, Ohio 43724.

Caldwell Exempted Village School District, Ohio

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,166,891
Cash and Cash Equivalents with Fiscal Agents	2,345,849
Accounts Receivable	3,206
Intergovernmental Receivable	243,887
Prepaid Items	47,824
Materials and Supplies Inventory	17
Inventory Held for Resale	6,135
Property Taxes Receivable	3,889,162
Nondepreciable Capital Assets	381,096
Depreciable Capital Assets, Net	<u>3,304,267</u>
 Total Assets	 <u>15,388,334</u>
Deferred Outflows of Resources	
Pension	3,387,094
OPEB	<u>211,289</u>
 Total Deferred Outflows of Resources	 <u>3,598,383</u>
Liabilities	
Accounts Payable	62,858
Accrued Wages and Benefits Payable	705,743
Intergovernmental Payable	183,763
Claims Payable	282,200
Long-Term Liabilities:	
Due Within One Year	63,390
Due In More Than One Year:	
Net Pension Liability (See Note 15)	9,005,840
Net OPEB Liability (See Note 16)	2,080,002
Other Amounts Due in More Than One Year	<u>276,006</u>
 <i>Total Liabilities</i>	 <u>12,659,802</u>
Deferred Inflows of Resources	
Property Taxes	2,603,269
Pension	664,092
OPEB	<u>232,209</u>
 <i>Total Deferred Inflows of Resources</i>	 <u>3,499,570</u>
Net Position	
Net Investment in Capital Assets	3,675,298
Restricted for:	
Capital Projects	18,082
Food Service	35,986
State Programs	43
Federal Programs	87,835
Classroom Facilities	2,965
Unclaimed Monies	1,277
Unrestricted (Deficit)	<u>(994,141)</u>
 Total Net Position	 <u><u>\$2,827,345</u></u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	
Governmental Activities				
Instruction:				
Regular	\$2,758,802	\$367,590	\$28,044	(2,363,168)
Special	1,140,530	0	686,788	(453,742)
Vocational	62,792	0	57,515	(5,277)
Adult/Continuing	1,724	0	0	(1,724)
Student Intervention	4,744	0	0	(4,744)
Support Services:				
Pupils	359,910	52,902	11,751	(295,257)
Instructional Staff	212,379	0	122,086	(90,293)
Board of Education	63,083	0	0	(63,083)
Administration	644,185	0	52,725	(591,460)
Fiscal	342,470	0	0	(342,470)
Business	3,099	0	0	(3,099)
Operation and Maintenance of Plant	832,964	0	14,419	(818,545)
Pupil Transportation	695,733	1,825	7,124	(686,784)
Central	3,800	0	0	(3,800)
Operation of Non-Instructional Services:				
Food Service Operations	387,530	125,610	248,923	(12,997)
External Participation in Internal Service Fund	19,607	31,242	0	11,635
Community Services	1,957	0	2,502	545
Extracurricular Activities	214,272	149,336	6,193	(58,743)
Interest	1,299	0	0	(1,299)
Total Governmental Activities	<u>\$7,750,880</u>	<u>\$728,505</u>	<u>\$1,238,070</u>	<u>(5,784,305)</u>
General Revenues				
Property Taxes Levied for General Purposes				3,883,212
Grants and Entitlements not Restricted to Specific Programs				5,735,217
Interest				76,711
Donations not Restricted to Specific Programs				7,497
Gain on Sale of Capital Assets				1,853
Miscellaneous				54,681
Total General Revenues				<u>9,759,171</u>
Change in Net Position				3,974,866
Net Position Beginning of Year - Restated (See Note 3)				<u>(1,147,521)</u>
Net Position End of Year				<u>\$2,827,345</u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2018*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,865,243	\$300,371	\$5,165,614
Accounts Receivable	3,206	0	3,206
Interfund Receivable	29,437	0	29,437
Intergovernmental Receivable	88,686	155,201	243,887
Prepaid Items	45,522	2,302	47,824
Materials and Supplies Inventory	0	17	17
Inventory Held for Resale	0	6,135	6,135
Property Taxes Receivable	3,889,162	0	3,889,162
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	<u>1,277</u>	<u>0</u>	<u>1,277</u>
Total Assets	<u>\$8,922,533</u>	<u>\$464,026</u>	<u>\$9,386,559</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$37,330	\$25,528	\$62,858
Accrued Wages and Benefits Payable	647,408	58,335	705,743
Interfund Payable	0	29,437	29,437
Intergovernmental Payable	<u>177,820</u>	<u>5,943</u>	<u>183,763</u>
Total Liabilities	<u>862,558</u>	<u>119,243</u>	<u>981,801</u>
Deferred Inflows of Resources			
Property Taxes	2,603,269	0	2,603,269
Unavailable Revenue	<u>174,571</u>	<u>97,483</u>	<u>272,054</u>
Total Deferred Inflows of Resources	<u>2,777,840</u>	<u>97,483</u>	<u>2,875,323</u>
Fund Balances			
Nonspendable	46,799	2,319	49,118
Restricted	0	56,383	56,383
Committed	187,680	0	187,680
Assigned	1,624,932	203,607	1,828,539
Unassigned (Deficit)	<u>3,422,724</u>	<u>(15,009)</u>	<u>3,407,715</u>
Total Fund Balances	<u>5,282,135</u>	<u>247,300</u>	<u>5,529,435</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,922,533</u>	<u>\$464,026</u>	<u>\$9,386,559</u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total Governmental Fund Balances		\$5,529,435
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,685,363
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Delinquent Property Taxes	164,162	
Intergovernmental Revenue	97,483	
Tuition and Fees	2,804	
Miscellaneous	7,605	272,054
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.		2,063,649
The net pension liability and net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	3,387,094	
Deferred Inflows - Pension	(664,092)	
Net Pension Liability	(9,005,840)	
Deferred Outflows - OPEB	211,289	
Deferred Inflows - OPEB	(232,209)	
Net OPEB Liability	(2,080,002)	(8,383,760)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences Payable	(329,331)	
Capital Lease Payable	(10,065)	(339,396)
Net Position of Governmental Activities		\$2,827,345

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$3,831,388	\$0	\$3,831,388
Intergovernmental	6,378,825	620,905	6,999,730
Interest	64,330	25	64,355
Tuition and Fees	367,361	0	367,361
Extracurricular Activities	72,992	131,071	204,063
Charges for Services and Sales	0	125,610	125,610
Contributions and Donations	10,150	6,193	16,343
Miscellaneous	43,997	3,079	47,076
Total Revenues	10,769,043	886,883	11,655,926
Expenditures			
Current:			
Instruction:			
Regular	4,880,237	26,172	4,906,409
Special	1,335,207	217,899	1,553,106
Vocational	110,988	0	110,988
Adult/Continuing	1,724	0	1,724
Student Intervention	4,744	0	4,744
Support Services:			
Pupils	448,245	9,186	457,431
Instructional Staff	187,262	56,291	243,553
Board of Education	64,231	0	64,231
Administration	1,028,265	49,522	1,077,787
Fiscal	356,546	0	356,546
Business	3,099	0	3,099
Operation and Maintenance of Plant	839,010	61,406	900,416
Pupil Transportation	762,600	0	762,600
Central	3,800	0	3,800
Operation of Non-Instructional Services	10,399	401,818	412,217
Extracurricular Activities	145,053	146,542	291,595
Debt Service:			
Principal Retirement	5,001	0	5,001
Interest and Fiscal Charges	1,299	0	1,299
Total Expenditures	10,187,710	968,836	11,156,546
Excess of Revenues Over (Under) Expenditures	581,333	(81,953)	499,380
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	1,853	0	1,853
Transfers In	0	124,284	124,284
Transfers Out	(124,284)	0	(124,284)
Total Other Financing Sources (Uses)	(122,431)	124,284	1,853
Net Change in Fund Balances	458,902	42,331	501,233
Fund Balances Beginning of Year	4,823,233	204,969	5,028,202
Fund Balances End of Year	<u>\$5,282,135</u>	<u>\$247,300</u>	<u>\$5,529,435</u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds \$501,233

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives as depreciation expense. This is the amount by which depreciation
exceeded capital outlays in the current period:

Capital Outlay	177,236	
Current Year Depreciation	<u>(273,067)</u>	(95,831)

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

Delinquent Property Taxes	51,824	
Intergovernmental Revenue	(35,314)	
Interest	(6)	
Tuition and Fees	<u>229</u>	24,338

Repayment of principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net position. 5,001

Contractually required contributions are reported as expenditures in the governmental funds;
however, the statement of net position reports these amounts as deferred outflows:

Pension	636,006	
OPEB	<u>25,807</u>	661,813

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB
liability are reported as pension/OPEB expense in the statement of activities:

Pension	2,634,097	
OPEB	<u>266,789</u>	2,900,886

Expenses resulting from compensated absences in the statement of activities
do not require the use of current financial resources and therefore are not
reported as expenditures in governmental funds. (40,003)

The internal service fund used by management to charge the costs of insurance
to individual funds is not reported in the district-wide statement of activities.
The net change of the internal service fund is reported with governmental activities.

17,429

Change in Net Position of Governmental Activities \$3,974,866

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,693,000	\$3,693,000	\$3,796,187	\$103,187
Intergovernmental	5,729,603	5,729,603	6,251,011	521,408
Interest	25,035	25,035	64,204	39,169
Tuition and Fees	419,300	419,300	368,093	(51,207)
Extracurricular Activities	18,500	18,500	18,265	(235)
Contributions and Donations	2,303	2,303	7,497	5,194
Miscellaneous	17,741	18,625	16,793	(1,832)
Total Revenues	9,905,482	9,906,366	10,522,050	615,684
Expenditures				
Current:				
Instruction:				
Regular	5,018,896	4,988,896	4,799,482	189,414
Special	1,429,600	1,429,600	1,345,344	84,256
Vocational	133,653	133,653	141,670	(8,017)
Adult/Continuing Intervention	1,500	1,500	1,724	(224)
Intervention	26,150	6,150	4,744	1,406
Support Services:				
Pupils	472,656	472,656	420,657	51,999
Instructional Staff	236,311	236,311	204,506	31,805
Board of Education	62,361	67,361	71,649	(4,288)
Administration	1,054,232	1,079,232	1,040,704	38,528
Fiscal	377,305	377,305	357,488	19,817
Business	3,500	3,500	3,099	401
Operation and Maintenance of Plant	911,972	911,972	895,676	16,296
Pupil Transportation	1,061,091	1,061,091	967,657	93,434
Central	5,000	5,000	3,800	1,200
Operation of Non-Instructional Services	10,700	10,700	10,345	355
Extracurricular Activities	164,161	164,161	145,577	18,584
Total Expenditures	10,969,088	10,949,088	10,414,122	534,966
Excess of Revenues Over (Under) Expenditures	(1,063,606)	(1,042,722)	107,928	1,150,650
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	5,000	5,000	10,923	5,923
Refund of Prior Year Receipts	(292)	(1,175)	0	1,175
Proceeds from Sale of Capital Assets	1,853	1,853	1,853	0
Transfers Out	(45,000)	(133,284)	(124,284)	9,000
Total Other Financing Sources (Uses)	(38,439)	(127,606)	(111,508)	16,098
Net Change in Fund Balance	(1,102,045)	(1,170,328)	(3,580)	1,166,748
Fund Balance Beginning of Year	4,236,147	4,236,147	4,236,147	0
Prior Year Encumbrances Appropriated	281,364	281,364	281,364	0
Fund Balance End of Year	\$3,415,466	\$3,347,183	\$4,513,931	\$1,166,748

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Fund Net Position
Health Self-Insurance Internal Service Fund
June 30, 2018

Current Assets

Cash and Cash Equivalents with Fiscal Agents \$2,345,849

Current Liabilities

Claims Payable 282,200

Net Position

Unrestricted \$2,063,649

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Position
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2018*

Operating Revenues	
Charges for Services	\$2,170,106
Miscellaneous	<u>19,515</u>
Total Operating Revenues	<u>2,189,621</u>
Operating Expenses	
Purchased Services	338,060
Claims	<u>1,846,519</u>
Total Operating Expenses	<u>2,184,579</u>
Operating Income	5,042
Non-Operating Revenue	
Interest	<u>12,387</u>
Change in Net Position	17,429
Net Position Beginning of Year	<u>2,046,220</u>
Net Position End of Year	<u><u>\$2,063,649</u></u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Cash Flows
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2018

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$2,170,106
Miscellaneous Revenues	19,515
Cash Payments for Goods and Services	(338,060)
Cash Payments for Claims	<u>(1,564,319)</u>

Net Cash Provided by Operating Activities 287,242

Cash Flows from Investing Activities

Interest on Investments	<u>12,387</u>
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Net Increase in Cash and Cash Equivalents 299,629

Cash and Cash Equivalents Beginning of Year 2,046,220

Cash and Cash Equivalents End of Year \$2,345,849

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income \$5,042

Increase in Claims Payable 282,200

Net Cash Provided by Operating Activities \$287,242

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$33,390</u></u>
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Liabilities

Due to Students	<u><u>\$33,390</u></u>
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See accompanying notes to the basic financial statements

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Caldwell Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 1 - Description of the School District and Reporting Entity

Caldwell Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter and further mandated by State and federal agencies.

The School District is located in Caldwell, Ohio, in Noble County and also consists of Aurelius Township in Washington County. The Board of Education controls the School District's three instructional/support facilities staffed by 44 classified employees and 64 certificated full-time teaching personnel who provide services to 970 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Mid-East Career and Technology Centers, and the Coalition of Rural and Appalachian Schools which are defined as jointly governed organizations; the Ohio School Plan (OSP), which is defined as a group insurance purchasing pool; the South Central Ohio Insurance Consortium, which is defined as a risk sharing, claims servicing, and insurance purchasing pool; and is associated with the Caldwell Public Library, which is defined as a Related Organization. Additional information concerning these organizations is presented in Notes 19 and 20

Note 2 - Summary of Significant Accounting Policies

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

The other governmental funds of the School District account for grants and other resources whose use is restricted or assigned to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The School District's only proprietary fund type is an Internal Service Fund.

Health Self-Insurance Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operations of the School District's self-insurance program for employee medical, vision, prescription drug, and dental insurance claims. In addition, this fund accounts for insurance activity from outside participation related to the Caldwell Public Library.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and athletic tournament monies.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources.

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB are explained in Notes 15 and 16.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenues, student fees, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 15 and 16)

E. Cash and Cash Equivalents

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

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the School District's central bank account and are reflected in the financial statements as "cash and cash equivalents with fiscal agents".

During fiscal year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$64,330, which includes \$2,743 assigned from other School District funds.

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of expendable supplies held for consumption, and purchased and donated food held for resale.

H. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20-50 Years
Vehicles	8 Years
Machinery, Equipment, Furniture, and Fixtures	5-20 Years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

A liability is recorded for vacation eligible employees after one year of service with the School District.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

M. Restricted Assets

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

N. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

O. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

P. Pensions/Other Postemployment Benefits (OPEB)

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

R. 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.

S. Estimates

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

T. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed by the Board of Education.

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 3 - Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$1,245,997
Adjustments:	
Net OPEB Liability	(2,412,046)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>18,528</u>
Restated Net Position June 30, 2017	<u><u>(\$1,147,521)</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 - Fund Balances

Fund balance is classified as nonspendable, restricted, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>			
Prepaid Items	\$45,522	\$2,302	\$47,824
Materials and Supplies Inventory	0	17	17
Unclaimed Monies	1,277	0	1,277
<i>Total Nonspendable</i>	<u>46,799</u>	<u>2,319</u>	<u>49,118</u>
<u>Restricted for:</u>			
Food Service	0	35,336	35,336
Classroom Facilities	0	2,965	2,965
Capital Projects	0	18,082	18,082
<i>Total Restricted</i>	<u>0</u>	<u>56,383</u>	<u>56,383</u>
<u>Committed to:</u>			
Bus Purchase	171,830	0	171,830
Backhoe Attachment	15,850	0	15,850
<i>Total Committed</i>	<u>187,680</u>	<u>0</u>	<u>187,680</u>
<u>Assigned to:</u>			
Public School Support	34,598	0	34,598
Capital Improvements	0	203,607	203,607
Fiscal Year 2018 Appropriations	1,465,431	0	1,465,431
Purchases on Order	124,903	0	124,903
<i>Total Assigned</i>	<u>1,624,932</u>	<u>203,607</u>	<u>1,828,539</u>
Unassigned (Deficit):	<u>3,422,724</u>	<u>(15,009)</u>	<u>3,407,715</u>
<i>Total Fund Balances</i>	<u>\$5,282,135</u>	<u>\$247,300</u>	<u>\$5,529,435</u>

Note 5 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2018:

Special Revenue Funds:

Title I	\$3,490
Athletic and Music	3,735
Title II-A	2,201
IDEA Part B	3,914
	<u>\$13,340</u>

The deficits in the Special Revenue Funds are the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 6 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), 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 Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than assigned fund balance (GAAP).
4. Unrecorded, cash deficits, and prepaid items are reported on the Balance Sheet (GAAP basis), but not on the budgetary basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements:

	General Fund
GAAP Basis	\$458,902
Net Adjustment for Revenue Accruals	(207,078)
Unreported Items:	
Beginning of Fiscal Year	6
End of Fiscal Year	(126)
Prepaid Items:	
Beginning of Fiscal Year	30,108
End of Fiscal Year	(45,522)
Net Adjustment for Expenditure Accruals	83,261
Cash Deficits	29,437
To reclassify excess of revenues over expenditures into financial statement fund types	(5,197)
Encumbrances	(347,371)
Budget Basis	<u><u>(\$3,580)</u></u>

Caldwell Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 7 - Deposits and Investments

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio).
8. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of 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.

At June 30, 2018, the School District’s internal service fund had a cash balance of \$2,345,849 with South Central Ohio Insurance Consortium, a claims servicing pool (See Note 19). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the South Central Ohio Insurance Consortium as a whole may be obtained from the consortium’s fiscal agent.

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

	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>
Net Asset Value Per Share Star Ohio	\$4,286,778	Average 48.9 days	AAAm

Interest Rate Risk: The School District’s investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sell negotiable instruments prior to maturity in accord with the law. 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 School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 8 - Property Taxes

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

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

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

The School District receives property taxes from Noble and Washington Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

At June 30, 2018, \$1,121,731 was available as an advance in the General Fund. The amount available as an advance at June 30, 2017, was \$1,086,530 in the General Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2018 taxes were collected are:

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$87,143,270	68.22%	\$92,690,470	68.79%
Commerical/Industrial and Public Utility Real	20,010,130	15.66%	20,382,860	15.13%
Public Utility Personal	20,586,670	16.12%	21,669,040	16.08%
	<u>\$127,740,070</u>	<u>100.00%</u>	<u>\$134,742,370</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$39.50		\$39.50

Note 9 - Receivables

Receivables at June 30, 2018, consisted of property taxes, accounts (billings for user charged services and student tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$164,162 as of June 30, 2018.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Title I	\$83,253
Special Education, Part B-IDEA	64,262
Special Education Grant	40,000
Ohio Valley ESC Overpayment	15,591
Ohio Bureay of Workers' Compensation	10,961
Title II-A	7,615
School Employees Retirement System	7,605
Summer Youth Employment	5,831
Medicaid Reimbursement	4,586
Ohio Department of Education	4,112
Making Middle Grades Work	<u>71</u>
Total	<u>\$243,887</u>

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Caldwell Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Capital Assets:				
Land	\$381,096	\$0	\$0	\$381,096
Depreciable Capital Assets:				
Buildings and Improvements	8,491,776	1,863	0	8,493,639
Vehicles	1,138,034	89,996	(153,449)	1,074,581
Machinery, Equipment, Furniture, and Fixtures	1,320,917	85,377	(7,886)	1,398,408
Total Capital Assets Being Depreciated	10,950,727	177,236	(161,335)	10,966,628
Less Accumulated Depreciation:				
Buildings and Improvements	(5,632,765)	(159,540)	0	(5,792,305)
Vehicles	(890,912)	(54,790)	153,449	(792,253)
Machinery, Equipment, Furniture, and Fixtures	(1,026,952)	(58,737)	7,886	(1,077,803)
Total Accumulated Depreciation	(7,550,629)	(273,067) *	161,335	(7,662,361)
Total Capital Assets Being Depreciated, Net	3,400,098	(95,831)	0	3,304,267
Governmental Activities Capital Assets, Net	\$3,781,194	(\$95,831)	\$0	\$3,685,363

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$173,796
Special	7,676
Vocational	6,742
Support Services:	
Pupils	133
Instructional Staff	983
Administration	2,463
Fiscal	540
Operation and Maintenance of Plant	19,641
Pupil Transportation	52,731
Food Service Operations	1,174
Extracurricular Activities	7,188
Total Governmental Depreciation	<u>\$273,067</u>

Note 11 - Interfund Transactions

A. Transfers

The General Fund transferred \$56,000 to the Food Service Special Revenue Fund during fiscal year 2018. The transfer was made to move unrestricted balances to cover revenue shortfalls for the fiscal year of the food service operations. The General Fund also transferred \$68,284 to the Permanent Improvement fund during fiscal year 2018.

Caldwell Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

B. Interfund Balance

Unpaid interfund cash advance at June 30, 2018, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$29,437	\$0
Nonmajor Special Revenue Fund:		
Making Middle Grades Work	0	28
Title I	0	9,037
Title II-A	0	2,139
Title VI-B	0	18,233
Total All Funds	<u>\$29,437</u>	<u>\$29,437</u>

Interfund balances at June 30, 2018, represent \$29,437 due to the General Fund from Special Revenue Funds for cash deficits.

Note 12 - Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds:	
General Fund	\$347,371
Nonmajor Funds	1,793
Total Governmental Funds	<u>349,164</u>
Proprietary Fund:	
Internal Service Fund	369,909
Total	<u>\$719,073</u>

Note 13 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Ohio School Plan, through Hylant Administrative Services, LLC, for property, crime insurance, general liability insurance, and fleet insurance. During fiscal year 2018, the School District purchased the following coverage:

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

<u>Ohio Casualty Insurance</u>	
Building and Contents-replacement cost (\$2,500 deductible)	\$37,734,963
Crime Insurance	
Forgery or Alterations Coverage (\$1,000 deductible)	25,000
Employee Theft (\$1,000 deductible)	25,000
General Liability	
Per occurrence	2,000,000
Aggregate Per Year	4,000,000
Medical Expense	10,000
Educational Legal Liability	
Each Wrongful Act (\$2,500 deductible)	2,000,000
Aggregate Per Year	4,000,000
Automobile Insurance (\$2,500 Comprehensive/ \$2,500 Collision)	2,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
<u>Travelers Casualty and Surety Company of America</u>	
Treasurer Bond	50,000
Superintendent and Board President Bond (Each)	25,000

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

B. Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Medical/Surgical, Dental, Vision, and Prescription Drug Insurances

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance internal service fund. The School District pays all but \$15 per month for single and \$30 for family for classified employees and all but \$25 per month for single and \$50 for family for certified employees in premiums for basic medical insurance. In addition, the School District pays the entire premium for dental, life, and prescription drug coverage and also covers one-half of the cost of vision insurance for all employees. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The School District's stop loss amount per person is \$100,000 for fiscal year 2018. The claims liability of \$282,200 reported in the internal service fund at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims cost, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for 2017 and 2018 were:

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	Balance Beginning of Fiscal Year	Current Fiscal Year Claims	Claim Payments	Balance End of Fiscal Year
2017	\$148,406	\$1,175,120	\$1,323,526	\$0
2018	0	1,846,519	1,564,319	282,200

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on an eleven or twelve month basis earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than an eleven or twelve month basis do not earn vacation time. Certified and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days for certified employees and up to 230 days for classified employees. Upon retirement, certified employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 50 days plus one additional day for every three years spent in the School District. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to 36 total paid days plus one and one-half days for every three years of continuous employment leading up to retirement.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to employees through MetLife Insurance Company in the amount of \$200,000 for the Treasurer and \$15,000 for all other employees.

Note 15 - Defined Benefit Pension Plans

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

A. Net Pension Liability/Net OPEB Liability

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

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$162,361 for fiscal year 2018. Of this amount \$14,067 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero.

Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$473,645 for fiscal year 2018. Of this amount \$63,789 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability Prior Measurement Date	0.03334090%	0.02708494%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.03468660%</u>	<u>0.02918682%</u>	
Change in Proportionate Share	<u><u>0.00134570%</u></u>	<u><u>0.00210188%</u></u>	
Proportionate Share of the Net Pension Liability	\$2,072,448	\$6,933,392	<u>Total</u> \$9,005,840
Pension Expense	(\$68,059)	(\$2,566,038)	(\$2,634,097)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$89,191	\$267,735	\$356,926
Changes of assumptions	107,168	1,516,409	1,623,577
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	70,778	699,807	770,585
School District contributions subsequent to the measurement date	<u>162,361</u>	<u>473,645</u>	<u>636,006</u>
Total Deferred Outflows of Resources	<u><u>\$429,498</u></u>	<u><u>\$2,957,596</u></u>	<u><u>\$3,387,094</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$55,880	\$55,880
Net difference between projected and actual earnings on pension plan investments	9,837	228,810	238,647
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>12,156</u>	<u>357,409</u>	<u>369,565</u>
Total Deferred Inflows of Resources	<u><u>\$21,993</u></u>	<u><u>\$642,099</u></u>	<u><u>\$664,092</u></u>

\$636,006 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$97,960	\$423,131	\$521,091
2020	148,342	734,394	882,736
2021	47,155	443,518	490,673
2022	(48,313)	240,809	192,496
Total	\$245,144	\$1,841,852	\$2,086,996

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, 2017, 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	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,876,019	\$2,072,448	\$1,399,293

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,938,781	\$6,933,392	\$4,401,802

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2018, no Board Members have elected Social Security. The contribution rate would be 6.2 percent of wages.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits

See Note 15 for a description of the net OPEB liability

A. School Employees Retirement System

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$19,794.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$25,807 for fiscal year 2018. Of this amount \$20,315 is reported as an intergovernmental payable.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

B. State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability Prior Measurement Date	0.03380390%	0.02708494%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.03507200%</u>	<u>0.02918682%</u>	
Change in Proportionate Share	<u>0.00126810%</u>	<u>0.00210188%</u>	
Proportionate Share of the Net OPEB Liability	\$941,240	\$1,138,762	<u>\$2,080,002</u>
OPEB Expense	\$64,642	(\$331,431)	(\$266,789)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$65,736	\$65,736
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	23,395	96,351	119,746
School District contributions subsequent to the measurement date	<u>25,807</u>	<u>0</u>	<u>25,807</u>
Total Deferred Outflows of Resources	<u><u>\$49,202</u></u>	<u><u>\$162,087</u></u>	<u><u>\$211,289</u></u>
Deferred Inflows of Resources			
Changes of assumptions	\$89,319	\$91,731	\$181,050
Net difference between projected and actual earnings on OPEB plan investments	<u>2,486</u>	<u>48,673</u>	<u>51,159</u>
Total Deferred Inflows of Resources	<u><u>\$91,805</u></u>	<u><u>\$140,404</u></u>	<u><u>\$232,209</u></u>

\$25,807 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$24,506)	(\$443)	(\$24,949)
2020	(24,506)	(443)	(24,949)
2021	(18,775)	(443)	(19,218)
2022	(623)	(443)	(1,066)
2023	0	11,725	11,725
2024	<u>0</u>	<u>11,730</u>	<u>11,730</u>
Total	<u><u>(\$68,410)</u></u>	<u><u>\$21,683</u></u>	<u><u>(\$46,727)</u></u>

Actuarial Assumptions - SERS

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

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

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

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

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,136,668	\$941,240	\$786,412
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$763,746	\$941,240	\$1,176,157

Actuarial Assumptions – STRS

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
School District's proportionate share of the net OPEB liability	\$1,528,770	\$1,138,762	\$830,528
		<u>Current Trend Rate</u>	
	<u>1% Decrease</u>	<u>1% Increase</u>	
School District's proportionate share of the net OPEB liability	\$791,163	\$1,138,762	\$1,596,243

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 17 - Long-Term Obligations

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

	Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/18	Amounts Due within One Year
Capital Leases Payable	\$15,066	\$0	\$5,001	\$10,065	\$5,532
Net Pension Liability:					
SERS	2,440,247	0	367,799	2,072,448	0
STRS	9,066,146	0	2,132,754	6,933,392	0
Total Net Pension Liability	11,506,393	0	2,500,553	9,005,840	0
Net OPEB Liability:					
SERS	963,536	0	22,296	941,240	0
STRS	1,448,510	0	309,748	1,138,762	0
Total Net OPEB Liability	2,412,046	0	332,044	2,080,002	0
Compensated Absences	289,328	41,102	1,099	329,331	57,858
Total Long-Term Obligations	\$14,222,833	\$41,102	\$2,838,697	\$11,425,238	\$63,390

The capital lease and compensated absences will be paid from the General Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. There are no repayment schedules for the net pension or OPEB liabilities. However, employer pension contributions are made from the following funds: General Fund and the Food Service, Idea B, Title I, and Title II-A Special Revenue Funds. For additional information related to the net pension or net OPEB liabilities, see Note 15 or Note 16 respectively.

The overall debt margin of the School District as of June 30, 2018, was \$12,126,813, with an unvoted debt margin of \$134,742.

Note 18 - Capital Leases

In prior fiscal years, the School District entered into an agreement to lease copiers. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds for \$5,001. The capital lease obligation represents the present value of the net future minimum lease payments on the capital lease.

Book value related to this lease is as follows:

	<u>Governmental Activities</u>
Furniture and Equipment	\$24,633
Less Accumulated Depreciation	<u>(16,422)</u>
Total June 30, 2018	<u><u>\$8,211</u></u>

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018.

Year	Governmental Activities	
	Principal	Interest
2019	\$5,532	\$768
2020	4,533	192
Total	\$10,065	\$960

Note 19 - Jointly Governed Organizations and Public Entity Risk Pools

A. Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)** was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a Board comprising a representative from each participating school district. The Board exercises total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2018, the total amount paid to OME-RESA from the School District was \$26,672 for technology services and financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The **Mid-East Career and Technology Centers** is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Joint Vocational School District. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2018. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

B. Public Entity Risk Pools

The School District is a member of the **South Central Ohio Insurance Consortium (SCOIC)**, an insurance purchasing pool. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of SCOIC. Members include 21 public entities with approximately 4,000 employee lives covered for medical and prescription benefits with 24 different plan designs in place as well as dental, vision, life, and accidental death and dismemberment insurances. The Bloom Carroll Local School District serves as the fiscal agent for the SCOIC.

The SCOIC members are considered self-insured and pay a month premium to SCOIC that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for the participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate or participation, and in the event of a surplus, the internal pool pays dividends to participants. SCOIC members participate in the shared risk pool through the Jefferson Health Plan for individual claims from \$100,000 to \$200,000. SCOIC members are then covered under stop loss coverage for claims over \$200,000 from IOA-Re. In the event that the School District would withdraw from SCOIC, the School District would be required to give a 180 day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share in any surplus funds of SCOIC. To obtain financial information for the SCOIC, write to the fiscal agent, Bloom Carroll Local School District, 5240 Plum Road NW, Carroll, Ohio 43112.

The School District participates in the **Ohio School Plan (OSP)**, an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 20 - Related Organization

The **Caldwell Public Library** is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Caldwell Exempted Village School District as presented by the Library. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, 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 Caldwell Public Library, at 517 Spruce Street, P.O. Box 230, Caldwell, Ohio 43724-0230.

Caldwell Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 21 - Contingencies

A. Grants

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

B. Litigation

As of June 30, 2018, the School District is currently not a party to any material legal proceedings.

C. Lease

The Board of Education has entered into an Oil and Gas Leases effective February 17, 2014, and continuing through February 17, 2019, with First Penn Oil & Gas, LLC. In consideration of the execution of the leases, the School District received a signing bonus of \$221,510 and was recorded in fiscal year 2014 as miscellaneous revenue. The School District has a total of 40.2746 acres subject to the lease provisions which call for royalties to the lessor, in addition to the bonus, of 20 percent of the gross proceeds of the products subject to the lease terms. The total carrying value of the land leased is \$381,096. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

D. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Note 22 - Set-Asides

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

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

Caldwell Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	Capital Improvements
Set-aside Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	159,687
Offsetting Credits	(68,284)
Qualifying Disbursements	<u>(346,295)</u>
Total	<u><u>(\$254,892)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

Caldwell Exempted Village School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Five Fiscal Years (1)**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0346866%	0.0333409%	0.0328628%	0.0336330%	0.0336330%
School District's Proportionate Share of the Net Pension Liability	\$2,072,448	\$2,440,247	\$1,875,185	\$1,702,147	\$2,000,047
School District's Covered Payroll	\$1,075,729	\$1,037,500	\$995,683	\$966,479	\$924,336
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	192.66%	235.20%	188.33%	176.12%	216.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Caldwell Exempted Village School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Five Fiscal Years (1)**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02918682%	0.02708494%	0.02919808%	0.02721966%	0.02721966%
School District's Proportionate Share of the Net Pension Liability	\$6,933,292	\$9,066,146	\$8,069,496	\$6,620,763	\$7,886,610
School District's Covered Payroll	\$3,103,429	\$3,253,214	\$2,996,643	\$2,776,731	\$3,033,146
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	223.41%	278.68%	269.28%	238.44%	260.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Caldwell Exempted Village School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03507200%	0.03380390%
School District's Proportionate Share of the Net OPEB Liability	\$941,240	\$963,536
School District's Covered Payroll	\$1,075,729	\$1,037,500
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	87.50%	92.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Caldwell Exempted Village School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.02918682%	0.02708494%
School District's Proportionate Share of the Net OPEB Liability	\$1,138,762	\$1,448,510
School District's Covered Payroll	\$3,103,429	\$3,253,214
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	36.69%	44.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Caldwell Exempted Village School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$162,361	\$150,602	\$145,250	\$131,231
Contributions in Relation to the Contractually Required Contribution	<u>(162,361)</u>	<u>(150,602)</u>	<u>(145,250)</u>	<u>(131,231)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,202,674	\$1,075,729	\$1,037,500	\$995,683
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$25,807	\$18,528	\$17,176	\$25,497
Contributions in Relation to the Contractually Required Contribution	<u>(25,807)</u>	<u>(18,528)</u>	<u>(17,176)</u>	<u>(25,497)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.15%</u>	<u>1.72%</u>	<u>1.66%</u>	<u>2.56%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.65%</u>	<u>15.72%</u>	<u>15.66%</u>	<u>15.74%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$133,954	\$127,928	\$127,513	\$102,390	\$128,629	\$88,130
<u>(133,954)</u>	<u>(127,928)</u>	<u>(127,513)</u>	<u>(102,390)</u>	<u>(128,629)</u>	<u>(88,130)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$966,479	\$924,336	\$948,055	\$814,555	\$949,992	\$895,633
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
\$18,380	\$18,949	\$21,843	\$25,935	\$21,033	\$52,967
<u>(18,380)</u>	<u>(18,949)</u>	<u>(21,843)</u>	<u>(25,935)</u>	<u>(21,033)</u>	<u>(52,967)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.90%</u>	<u>2.05%</u>	<u>2.30%</u>	<u>3.18%</u>	<u>2.21%</u>	<u>5.91%</u>
<u>15.76%</u>	<u>15.89%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>

Caldwell Exempted Village School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$473,645	\$434,480	\$455,450	\$419,530
Contributions in Relation to the Contractually Required Contribution	<u>(473,645)</u>	<u>(434,480)</u>	<u>(455,450)</u>	<u>(419,530)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,383,179	\$3,103,429	\$3,253,214	\$2,996,643
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$360,975	\$394,309	\$395,039	\$428,589	\$389,563	\$349,371
<u>(360,975)</u>	<u>(394,309)</u>	<u>(395,039)</u>	<u>(428,589)</u>	<u>(389,563)</u>	<u>(349,371)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,776,731	\$3,033,146	\$3,038,762	\$3,296,838	\$2,996,638	\$2,687,469
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$27,767	\$30,331	\$30,388	\$32,968	\$29,966	\$26,875
<u>(27,767)</u>	<u>(30,331)</u>	<u>(30,388)</u>	<u>(32,968)</u>	<u>(29,966)</u>	<u>(26,875)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Caldwell Exempted Village School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

Caldwell Exempted Village School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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 no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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OHIO AUDITOR OF STATE KEITH FABER



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

Caldwell Exempted Village School District
Noble County
516 Fairground Street
Caldwell, Ohio 43724

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 17, 2019. We also noted the School District adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 17, 2019

OHIO AUDITOR OF STATE KEITH FABER



CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT

NOBLE 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
APRIL 23, 2019**