



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT  
LAWRENCE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) General Fund.....	19
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund .....	20
Notes to the Basic Financial Statements .....	21
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability - School Employees Retirement System of Ohio – Last Five Years.....	58
Schedule of the School District's Proportionate Share of the Net Pension Liability - State Teachers Retirement System of Ohio – Last Five Years.....	59
Schedule of the School District Pension Contributions – School Employees Retirement System of Ohio – Last Ten Years .....	60
Schedule of the School District Pension Contributions – State Teachers Retirement System of Ohio – Last Ten Years.....	61

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT  
LAWRENCE COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Schedule of the School District's Proportionate Share of the Net OPEB Liability - School Employees Retirement System of Ohio – Last Two Years.....	62
Schedule of the School District's Proportionate Share of the Net OPEB Liability - State Teachers Retirement System of Ohio – Last Two Years.....	63
Schedule of the School District OPEB Contributions – School Employees Retirement System of Ohio – Last Three Years .....	64
Schedule of School District OPEB Contributions - State Teachers Retirement System of Ohio – Last Three Years .....	65
Notes to the Required Supplementary Information .....	66
Schedule of Expenditures of Federal Awards .....	69
Notes to the Schedule of Expenditures of Federal Awards.....	70
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	71
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	73
Schedule of Findings.....	75
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	77

# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

Chesapeake Union Exempted Village School District  
Lawrence County  
10183 County Road 1  
Chesapeake, Ohio 45619

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chesapeake Union Exempted Village School District, Lawrence 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chesapeake Union Exempted Village School District, Lawrence County, Ohio, as of June 30, 2018, and the respective changes in financial position 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 Notes 10 and 22 to the financial statements, during 2018, the School District adopted new accounting guidance in 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.

#### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 6, 2019

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**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Chesapeake Union Exempted Village School District's (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$2,456,807.
- The School District's net position of governmental activities increased \$5,791,320.
- General revenues accounted for \$11,011,934 in revenue or 70 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$4,722,206 or 30 percent of total revenues of \$15,734,140.
- The School District had \$9,942,820 in expenses related to governmental activities; \$4,722,206 of these expenses was offset by program specific charges for services and sale, and operating grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Chesapeake Union Exempted Village School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The statement of net position and statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's 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 the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The analysis of the School District as a whole begins with the statement of net position and the statement of activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes to that position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets and required educational support services to be provided.

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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In the statement of net position and the statement of activities, the School District has only one kind of activity.

- **Governmental Activities.** Most of the School District's programs and services are reported here including instruction and support services.

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The analysis of the School District's funds begins on page 11. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major funds are the General Fund and the Bond Retirement Debt Service Fund.

**Governmental Funds.** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds.** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary fund is an agency fund which is used to maintain financial activity of the School District's Student Managed Activities.

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, 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 2018 compared to 2017.

Table 1  
 Net Position  
 Governmental Activities

	2018	2017 *
Assets:		
Current and Other Assets	\$ 8,242,433	\$ 8,367,875
Capital Assets, Net	17,955,088	18,857,188
Total Assets	26,197,521	27,225,063
Deferred Outflows of Resources:		
Pensions	4,618,898	3,846,626
OPEB	186,804	26,743
Unamortized Deferred Amount on Refunding	36,504	47,014
Total Deferred Outflows of Resources	4,842,206	3,920,383
Liabilities:		
Current and Other Liabilities	1,482,032	1,376,358
Long-Term Liabilities:		
Due Within One Year	288,077	423,452
Due in More than One Year:		
Net Pension Liabilities	14,973,345	20,627,907
Net OPEB Liabilities	3,308,005	4,101,795
Other Amounts	5,096,640	5,146,257
Total Liabilities	25,148,099	31,675,769
Deferred Inflows of Resources		
Pensions	955,557	523,281
OPEB	399,246	-
Property Taxes not Levied to Finance the Current Year	2,080,018	2,280,909
Total Deferred Inflows of Resources	3,434,821	2,804,190
Net Position:		
Net Investment in Capital Assets	13,617,685	14,099,381
Restricted	1,166,667	1,253,186
Unrestricted	(12,327,545)	(18,687,080)
Total Net Position	\$ 2,456,807	\$ (3,334,513)

\* As restated, see Note 22 for additional information.

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.

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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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. 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 \$740,539 to (\$3,334,513).

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)

Total net position of the School District as a whole increased in the amount of \$5,791,320. Current and other assets decreased primarily due to decreases in taxes receivable which was partially offset by an increase in cash balances on hand at June 30, 2018. Noncurrent assets decreased due to a decrease in depreciable capital assets net, which was caused by depreciation expense in 2018 which was partially offset by capital asset additions. Deferred outflows of resources increased primarily due to changes in the net pension liability and net OPEB liability. Deferred inflows of resources increased primarily due to changes in the net pension liability and net OPEB liability which was partially offset by a decrease in property taxes not levied to finance current year operations. Long-term liabilities decreased primarily to the due to a decrease in the net pension liability, decreases in the net OPEB liability, and by principal payments on other long term debts.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 2  
Change in Net Position  
Governmental Activities

	2018	2017*
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,491,880	\$ 1,538,363
Operating Grants and Contributions	3,230,326	2,902,793
Total Program Revenues	<u>4,722,206</u>	<u>4,441,156</u>
General Revenues:		
Grants and Entitlements, Not Restricted to Specific Programs	8,462,683	8,388,359
Gifts and Donations, Not Restricted to Specific Programs	29,704	33,503
Investment Earnings	13,853	3,380
Miscellaneous	101,715	103,602
Gain on Sale of Capital Asset	-	49,577
Property Taxes	2,403,979	2,648,592
Total General Revenues	<u>11,011,934</u>	<u>11,227,013</u>
Total Revenues	<u>15,734,140</u>	<u>15,668,169</u>
Program Expenses		
Instruction		
Regular	3,694,852	7,639,110
Special	645,095	1,343,242
Other	71,690	72,948
Support Services		
Pupils	468,041	747,376
Instructional Staff	728,442	741,193
Board of Education	63,596	65,968
Administration	408,834	1,140,691
Fiscal	343,163	412,468
Operation and Maintenance of Plant	1,229,863	1,183,400
Pupil Transportation	722,264	941,259
Central	481,558	515,789
Operation of Non-Instructional Services	546,138	572,047
Extracurricular Activities	327,148	475,172
Interest and Fiscal Charges	212,136	217,981
Total Expenses	<u>9,942,820</u>	<u>16,068,644</u>
Increase (Decrease) in Net Position	5,791,320	(400,475)
Net Position at Beginning of Year	<u>(3,334,513)</u>	<u>1,141,014</u>
Net Position at End of Year	<u>\$ 2,456,807</u>	<u>\$ 740,539</u>

\*Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See note 22 for additional information.

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

**Governmental Activities**

Operating grants and contributions increased because of increases in Title I and 21<sup>st</sup> Century federal grants. Grants and entitlements not restricted to specific programs increased due to increases in foundation funding. Most expenditure line items decreased due to the changes in net pension and net OPEB liabilities.

Charges for services and sales comprised 10 percent of revenue for governmental activities, while operating grants and contributions comprised 21 percent of revenue for governmental activities of the School District for fiscal year 2018. Unrestricted grants and entitlements and property taxes made up 54 percent and 15 percent, respectively, of total revenues.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 37 percent of governmental program expenses with special instruction comprising 6 percent of governmental expenses. Administration and operation and maintenance of plant support services also comprise a significant portion of total expenses, each of them accounting for 4 and 12 percent respectively, of total expenses.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements, property taxes, and other general revenues.

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	\$3,694,852	\$3,006,600	\$7,639,110	\$6,760,122
Special	645,095	(1,188,306)	1,343,242	(315,306)
Other	71,690	52,912	72,948	61,388
Support Services:				
Pupils	468,041	249,554	747,376	555,013
Instructional Staff	728,442	196,084	741,193	280,015
Board of Education	63,596	52,037	65,968	59,819
Administration	408,834	323,376	1,140,691	1,016,772
Fiscal	343,163	272,760	412,468	368,627
Operation and Maintenance of Plant	1,229,863	961,135	1,183,400	1,041,640
Pupil Transportation	722,264	565,209	941,259	830,489
Central	481,558	351,912	515,789	428,331
Operation of Non-Instructional Services	546,138	(6,406)	572,047	19,937
Extracurricular Activities	327,148	186,036	475,172	310,480
Interest and Fiscal Charges	212,136	197,711	217,981	210,161
<b>Total</b>	<b>\$9,942,820</b>	<b>\$5,220,614</b>	<b>\$16,068,644</b>	<b>\$11,627,488</b>

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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**THE SCHOOL DISTRICT'S FUNDS**

The governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$16,012,620 and expenditures and other financing uses of \$15,891,742.

The fund balance of the General Fund increased \$178,072. This increase was due to total revenues exceeding expenditures. Property tax revenues decreased \$93,544, while expenditures increased \$666,842 overall from the prior year. The fund balance of the Bond Retirement Fund decreased in the amount of \$47,472 primarily due to principal and interest costs exceeding tax and intergovernmental revenues.

**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 2018, there were several revisions to the General Fund budget. In part, these revisions increased estimated revenues and other financing sources by \$211,336 and increased appropriations by \$239,931. The increase in estimated resources was due to increases in intergovernmental revenue. The increase in estimated appropriations is due to increases in estimated expenses for regular instruction. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$3,542,691

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2018, the School District had \$17,955,088 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and textbooks. Table 4 shows the fiscal year 2018 balances compared to 2017.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	\$257,668	\$257,668
Land Improvements	2,755,099	2,888,468
Buildings and Improvements	14,644,035	15,462,812
Furniture and Equipment	147,012	143,577
Vehicles	151,274	104,663
Totals	\$17,955,088	\$18,857,188

See Note 7 to the basic financial statements for more detailed information relating to capital assets.

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*(Unaudited)*

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**Debt**

At June 30, 2018, the School District had two outstanding General Obligation Bond issuances in the net amount of \$1,694,697 including accretion and premium. The 2006 bonds were issued to refund \$2,045,000 of outstanding 1999 School Improvement General Obligation Bonds. In June 2015, the District issued \$1,074,750 in bonds in order to finance a School Energy Performance Contract. The District has one capital lease obligation for an HVAC system. As of June 30, 2018, the outstanding balance of the lease was \$813,700. At June 30, 2018, the School District had Certificates of Participation outstanding in the amount of \$2,210,000. See Notes 12 and 13 to the basic financial statements for more detailed information relating to debt.

**Current Economic Issues**

Chesapeake Union Exempted Village School District is considered to be a low wealth district. Therefore, as indicated in the preceding financial information, the State of Ohio provides the majority of the funding received by the School District. The future of our School District is difficult to predict. With careful planning and monitoring of our finances, Chesapeake Union Exempted Village School District's Board of Education is committed to providing a quality education for our students and securing a solid financial future for the School District.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sue Ann Dial, Treasurer, Chesapeake Union Exempted Village School District, 10183 County Road One, Chesapeake, Ohio 45619.



**Chesapeake Union Exempted Village School District**  
*Statement of Net Position*  
*As of June 30, 2018*

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 5,249,836
Prepaid Items	12,532
Intergovernmental Receivable	192,302
Taxes Receivable	2,787,763
Noncurrent Assets:	
Non-Depreciable Capital Assets	257,668
Depreciable Capital Assets, net	17,697,420
<i>Total Assets</i>	26,197,521
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pensions:	
State Teachers Retirement System	4,001,477
School Employees Retirement System	617,421
OPEB:	
State Teachers Retirement System	114,324
School Employees Retirement System	72,480
Unamortized Deferred Amount on Refunding	36,504
<i>Total Deferred Outflows of Resources</i>	4,842,206
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	63,970
Accrued Wages and Benefits	1,200,931
Intergovernmental Payable	209,931
Accrued Interest Payable	7,200
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	288,077
Due in More Than One Year	
Net Pension Liability (See Note 9)	14,973,345
Net OPEB Liability (See Note 10)	3,308,005
Other Amounts Due in More Than One Year	5,096,640
<i>Total Liabilities</i>	25,148,099
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions:	
State Teachers Retirement System	896,134
School Employees Retirement System	59,423
OPEB:	
State Teachers Retirement System	269,763
School Employees Retirement System	129,483
Property Taxes not Levied to Finance Current Year Operations	2,080,018
<i>Total Deferred Inflows of Resources</i>	3,434,821
<b>NET POSITION:</b>	
Net Investment in Capital Assets	13,617,685
Restricted for Debt Service	455,796
Restricted for Capital Outlay	307,201
Restricted for Other Purposes	85,040
Restricted for Classroom Facilities Maintenance	318,630
Unrestricted (Deficit)	(12,327,545)
<i>Total Net Position</i>	\$ 2,456,807

The notes to the basic financial statements are an integral part of this statement.

**Chesapeake Union Exempted Village School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$ 3,694,852	\$ 584,754	\$ 103,498	\$ (3,006,600)
Special	645,095	3,035	1,830,366	1,188,306
Other	71,690	15,041	3,737	(52,912)
Support Services:				
Pupils	468,041	58,403	160,084	(249,554)
Instructional Staff	728,442	25,957	506,401	(196,084)
Board of Education	63,596	11,559	-	(52,037)
Administration	408,834	85,458	-	(323,376)
Fiscal	343,163	69,384	1,019	(272,760)
Operation and Maintenance of Plant	1,229,863	220,945	47,783	(961,135)
Pupil Transportation	722,264	140,734	16,321	(565,209)
Central	481,558	91,568	38,078	(351,912)
Operation of Non-Instructional Services	546,138	77,775	474,769	6,406
Extracurricular Activities	327,148	92,842	48,270	(186,036)
Interest and Fiscal Charges	212,136	14,425	-	(197,711)
<i>Total Governmental Activities</i>	<u>\$ 9,942,820</u>	<u>\$ 1,491,880</u>	<u>\$ 3,230,326</u>	(5,220,614)
General Revenues:				
Property Taxes Levied for:				
General Purposes				2,045,365
Debt Service				107,653
Classroom Facilities				35,661
Capital Projects				215,300
Grants and Entitlements, Not Restricted to Specific Programs				8,462,683
Gifts and Donations, Not Restricted to Specific Programs				29,704
Investment Earnings				13,853
Miscellaneous				101,715
<i>Total General Revenues</i>				<u>11,011,934</u>
<i>Change in Net Position</i>				5,791,320
<i>Net Position Beginning of Year - As Restated</i>				<u>(3,334,513)</u>
<i>Net Position End of Year</i>				<u>\$ 2,456,807</u>

The notes to the basic financial statements are an integral part of this statement.

**Chesapeake Union Exempted Village School District**  
*Balance Sheet*  
*Governmental Funds*  
*As of June 30, 2018*

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,188,152	\$ 424,079	\$ 637,605	\$ 5,249,836
Prepaid Items	12,206	-	326	12,532
Intergovernmental Receivable	105,853	-	86,449	192,302
Taxes Receivable	2,370,809	128,976	287,978	2,787,763
<i>Total Assets</i>	<u>\$ 6,677,020</u>	<u>\$ 553,055</u>	<u>\$ 1,012,358</u>	<u>\$ 8,242,433</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 63,794	\$ -	\$ 176	\$ 63,970
Accrued Wages and Benefits	1,057,519	-	143,412	1,200,931
Intergovernmental Payable	182,789	-	27,142	209,931
<i>Total Liabilities</i>	<u>1,304,102</u>	<u>-</u>	<u>170,730</u>	<u>1,474,832</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Property Taxes not Levied to Finance Current Year Operations	1,768,194	97,259	214,565	2,080,018
Unavailable Revenue - Delinquent Taxes	233,682	12,300	28,494	274,476
Unavailable Revenue - Grants	-	-	6,923	6,923
<i>Total Deferred Inflows of Resources</i>	<u>2,001,876</u>	<u>109,559</u>	<u>249,982</u>	<u>2,361,417</u>
<b>FUND BALANCES:</b>				
Nonspendable	12,206	-	-	12,206
Restricted	-	443,496	647,771	1,091,267
Committed	11,000	-	-	11,000
Assigned	586,932	-	-	586,932
Unassigned (Deficit)	2,760,904	-	(56,125)	2,704,779
<i>Total Fund Balances</i>	<u>3,371,042</u>	<u>443,496</u>	<u>591,646</u>	<u>4,406,184</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 6,677,020</u>	<u>\$ 553,055</u>	<u>\$ 1,012,358</u>	<u>\$ 8,242,433</u>

The notes to the basic financial statement are an integral part of this statement.

**Chesapeake Union Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
As of June 30, 2018*

**Total Governmental Fund Balances** \$ 4,406,184

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 17,955,088

Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.

Taxes	274,476	
Intergovernmental	6,923	
	6,923	

Total 281,399

The net pension 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 of resources related to pensions	4,618,898	
Deferred outflows of resources related to OPEB	186,804	
Deferred inflows of resources related to pensions	(955,557)	
Deferred inflows of resources related to OPEB	(399,246)	
Net Pension Liability	(14,973,345)	
Net OPEB Liability	(3,308,005)	
	(3,308,005)	

Total (14,830,451)

Long-term liabilities and deferred outflows of resources, including bonds, the certificate of participation, interest, the long-term portion of compensated absences, and the unamortized deferred amount on refunding are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(666,320)	
Interest Payable	(7,200)	
Unamortized Deferred Amount on Refunding	36,504	
Certificate of Participation	(2,210,000)	
Capital Leases	(813,700)	
General Obligation Bonds	(1,694,697)	
	(1,694,697)	

Total (5,355,413)

**Net Position of Governmental Activities** \$ 2,456,807

The notes to the basic financial statements are an integral part of this statement.

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

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property Taxes	\$ 2,137,796	\$ 112,517	\$ 262,113	\$ 2,512,426
Intergovernmental	9,646,806	26,287	2,060,192	11,733,285
Interest	13,853	-	-	13,853
Tuition and Fees	1,338,690	-	-	1,338,690
Extracurricular Activities	1,495	-	68,876	70,371
Gifts and Donations	29,704	-	3,200	32,904
Customer Sales and Services	-	-	82,819	82,819
Miscellaneous	101,715	-	-	101,715
<i>Total Revenues</i>	<u>13,270,059</u>	<u>138,804</u>	<u>2,477,200</u>	<u>15,886,063</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,847,532	-	121,445	6,968,977
Special	871,040	-	626,963	1,498,003
Other	71,690	-	-	71,690
<b>Support Services:</b>				
Pupils	598,686	-	189,521	788,207
Instructional Staff	244,033	-	600,000	844,033
Board of Education	56,279	-	-	56,279
Administration	1,112,457	-	-	1,112,457
Fiscal	357,620	3,750	8,707	370,077
Operation and Maintenance of Plant	1,081,951	-	76,859	1,158,810
Pupil Transportation	728,257	-	19,338	747,595
Central	441,237	-	45,116	486,353
Operation of Non-Instructional Services	-	-	562,530	562,530
Extracurricular Activities	260,684	-	57,192	317,876
Capital Outlay	109,462	-	93,558	203,020
<b>Debt Service:</b>				
Principal	115,750	165,000	135,000	415,750
Interest	68,752	17,526	77,250	163,528
<i>Total Expenditures</i>	<u>12,965,430</u>	<u>186,276</u>	<u>2,613,479</u>	<u>15,765,185</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>304,629</u>	<u>(47,472)</u>	<u>(136,279)</u>	<u>120,878</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	-	-	126,557	126,557
Transfers Out	(126,557)	-	-	(126,557)
<i>Total Other Financing Sources and Uses</i>	<u>(126,557)</u>	<u>-</u>	<u>126,557</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	178,072	(47,472)	(9,722)	120,878
<i>Fund Balances at Beginning of Year</i>	<u>3,192,970</u>	<u>490,968</u>	<u>601,368</u>	<u>4,285,306</u>
<i>Fund Balances at End of Year</i>	<u>\$ 3,371,042</u>	<u>\$ 443,496</u>	<u>\$ 591,646</u>	<u>\$ 4,406,184</u>

The notes to the basic financial statements are an integral part of this statement.

**Chesapeake Union Exempted Village School District**  
*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** \$ 120,878

***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 asset additions in the current period.

Capital Asset Additions	203,020	
Current Year Depreciation	(1,105,120)	
<b>Total</b>	<b>(902,100)</b>	<b>(902,100)</b>

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

Taxes	(108,447)	
Intergovernmental	(43,476)	
<b>Total</b>	<b>(151,923)</b>	<b>(151,923)</b>

Repayment of bond and certificate of participation principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

358,450

Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

57,300

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.

820

The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds.

15,164

Deferred amounts on refunding are included as expenditures in the funds, but are deferred and amortized over the life of the bonds in the government-wide financial statements.

(10,510)

The annual accretion of capital appreciation bonds is reported in the statement of activities but is not reported in the governmental funds.

(54,082)

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

1,101,396

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

4,928,408

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

519,359

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences		(191,840)
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**Net Change in Net Position of Governmental Activities**

**\$ 5,791,320**

The notes to the basic financial statements are an integral part of this statement.

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

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	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	\$ 13,224,739	\$ 13,436,075	\$ 13,436,075	\$ -
Total Expenditures and Other Financing Uses	13,507,101	13,747,032	13,747,032	-
Net Change in Fund Balance	(282,362)	(310,957)	(310,957)	-
Fund Balance at Beginning of Year	3,158,527	3,158,527	3,158,527	-
Prior Year Encumbrances Appropriated	695,121	695,121	695,121	-
Fund Balance at End of Year	\$ 3,571,286	\$ 3,542,691	\$ 3,542,691	\$ -

The notes to the basic financial statements are an integral part of this statement.

**Chesapeake Union Exempted Village School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*As of June 30, 2018*

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	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 23,895</u>
LIABILITIES:	
Due to Students	<u>\$ 23,895</u>

The notes to the basic financial statements are an integral part of this statement.



**Chesapeake Union Exempted Village School District**

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

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

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

The School District was established in 1926 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 36 square miles. It is located in Lawrence County, and includes all of Union Township. It is staffed by 64 non-certificated employees and 98 certificated full-time teaching personnel who provide services to 1,321 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one maintenance building.

*Reporting Entity:*

A reporting entity is comprised 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 Chesapeake Union Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

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

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District:

- \* Boosters Clubs
- \* Parent Teacher Organizations

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool and one as a shared risk pool. These organizations are the South Central Ohio Computer Association Regional Council of Governments (SCOCAR CoG), the Metropolitan Educational Technology Association (META), the Collins Career Center, the Coalition of Rural and Appalachian Schools, the Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program, and the Lawrence County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

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

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

**Chesapeake Union Exempted Village School District**

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

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

**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 statement of net position presents the financial condition of governmental activities of the School District at 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 and grants and contributions that are restricted to meeting the operational or capital requirements of 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 year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**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 purpose 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, liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

**General Fund**

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

**B. Fund Accounting** (continued)

**Bond Retirement Fund**

The Bond Retirement Fund is a fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund. The primary source of revenue for this fund is from tax revenue collections.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary fund is an agency fund which is used to maintain financial activity of the School District's Student Managed Activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**Measurement Focus**

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources 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 deferred outflows of resources, current liabilities, and deferred inflows of resources 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.

**C. 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. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, the presentation of expenses versus expenditures, and the recording of net pension and other post-employment benefit liabilities.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

**C. Basis of Accounting** (continued)

**Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "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 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5). 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 fiscal 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 expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 year-end: property taxes available as an advance, tuition, grants, and fees.

**Deferred Outflows and Deferred 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 the unamortized portion of the deferred amount on refunding of bonds, pension and other postemployment benefits. The deferred outflows of resources related to pension and other postemployment benefits are explained in Note 9 and Note 10.

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, other postemployment benefits, 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 and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and other postemployment benefits are reported on the government-wide statement of net position. (See Note 9 and Note 10)

**Chesapeake Union Exempted Village School District**

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

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

**C. Basis of Accounting** (continued)

**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, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignation and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**D. Budgetary Process**

All funds, other than the agency fund, 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 set 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. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal 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 amounts in the certificate of estimated resources at the time the permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2018.

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as Equity in Pooled Cash and Cash Equivalents on the balance sheet and the statement of net position.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2018 amounted to \$13,853 in the General Fund.

**Chesapeake Union Exempted Village School District**

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

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

**F. Capital Assets and Depreciation**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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. The School District does not capitalize interest for capital asset purchases.

All reported capital assets, except land and construction in progress, 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>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years
Textbooks	6-15 years

**G. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net position. There were no interfund balances as of June 30, 2018.

**H. Compensated Absences**

Vacation and personal leave 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 School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future.

The accrual amount is based upon accumulated sick leave and accumulated vacation leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

**I. 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, special termination benefits, and pension liabilities 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 in the current year. Bonds and capital leases are recognized as a liability on the government-wide financial statements when due.

**J. 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 the governmental funds. The classifications are as follows:

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

***Restricted*** Fund balance is reported as restricted when constraints 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 imposed 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 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 policies of the School District Board of Education.

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

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or 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 amounts in any of the unrestricted fund balance classifications could be used.

**K. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

**L. Net Position**

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to their use by grantors.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide statement of net position reports \$1,166,667 in restricted net position, none of which is restricted by enabling legislation.

**M. Interfund Transactions**

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

**N. Bond Premiums, Discounts, Gains/Losses and Issuance Costs**

On the government-wide financial statements, bond issuance costs are recorded as expenses. Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

Bond issuance costs and bond premiums are recognized as expenditures and other financing sources on the fund financial statements.

**O. Pensions and Other PostEmployment Benefits (OPEB)**

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and 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.

**P. 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 purchase and an expenditure/expense is recorded in the year in which services are consumed.



**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) 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 basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance	
GAAP Basis	\$ 178,072
Revenue Accruals	198,011
Expenditure Accruals	(128,375)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	13,933
Encumbrances	<u>(572,598)</u>
Budget Basis	<u><u>\$ (310,957)</u></u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 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.

**Chesapeake Union Exempted Village School District**

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,869,844 of the School District's bank balance of \$5,369,844 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured;  
or

**Chesapeake Union Exempted Village School District**

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

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 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 year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

	<u>2017 Second-Half Collections</u>		<u>2018 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 119,945,440	90.95%	\$ 118,558,340	89.61%
Public Utility	11,938,650	9.05%	13,748,610	10.39%
Total Assessed Value	<u>\$ 131,884,090</u>	<u>100.00%</u>	<u>\$ 132,306,950</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 22.50		\$ 22.50	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became 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 amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2018, was \$368,933 in the General Fund, \$19,417 in the Bond Retirement Fund, \$6,085 in the non-major Classroom Facilities Maintenance Fund, and \$38,834 in the non-major Permanent Improvement Fund.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2018, consisted of taxes 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Major Fund:	
General	\$ 105,853
Non-Major Special Revenue Funds:	
Food Service	7,047
Title I	31,532
Title VI-B	37,039
Title VI-R	10,831
Total Non-Major Special Revenue Funds	<u>86,449</u>
Total All Funds/Governmental Activities	<u><u>\$ 192,302</u></u>

**NOTE 7 - CAPITAL ASSETS**

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

	Ending Balance 6/30/2017	Additions	Deletions	Ending Balance 6/30/2018
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 257,668	\$ -	\$ -	\$ 257,668
Total Capital Assets, Not Being Depreciated	<u>257,668</u>	<u>-</u>	<u>-</u>	<u>257,668</u>
Capital Assets Being Depreciated				
Land Improvements	4,229,452	76,568	-	4,306,020
Buildings and Improvements	29,605,771	22,567	-	29,628,338
Furniture and Equipment	799,021	25,865	-	824,886
Vehicles	931,205	78,020	-	1,009,225
Textbooks	972,141	-	-	972,141
Total Capital Assets Being Depreciated	<u>36,537,590</u>	<u>203,020</u>	<u>-</u>	<u>36,740,610</u>
Less: Accumulated Depreciation:				
Land Improvements	(1,340,984)	(209,937)	-	(1,550,921)
Buildings and Improvements	(14,142,959)	(841,344)	-	(14,984,303)
Furniture and Equipment	(655,444)	(22,430)	-	(677,874)
Vehicles	(826,542)	(31,409)	-	(857,951)
Textbooks	(972,141)	-	-	(972,141)
Total Accumulated Depreciation	<u>(17,938,070)</u>	<u>(1,105,120)</u>	<u>-</u>	<u>(19,043,190)</u>
Total Capital Assets Being Depreciated, Net	<u>18,599,520</u>	<u>(902,100)</u>	<u>-</u>	<u>17,697,420</u>
Governmental Capital Assets, Net	<u>\$ 18,857,188</u>	<u>\$ (902,100)</u>	<u>\$ -</u>	<u>\$ 17,955,088</u>

**Chesapeake Union Exempted Village School District**

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

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**NOTE 7 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$785,092
Special	2,723
Support Services:	
Instructional Staff	4,723
Board of Education	8,504
Administration	1,515
Operation and Maintenance of Plant	99,911
Pupil Transportation	32,141
Operation of Non-Instructional Services	7,658
Extracurricular Activities	162,853
Total Depreciation Expense	<u><u>\$1,105,120</u></u>

The School District's capital assets reported above include \$5,433,413 in fully depreciated capital assets that are still being utilized by the School District.

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Wells Fargo Insurance Services. Coverage provided is as follows:

Commercial Property Coverage	\$38,408,358
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	2,000,000

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

For fiscal year 2018, the School District participated in the Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to improve safety, accident prevention, and claims handling for the School District. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control, and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a public entity shared risk pool (Note 16), consisting of government entities within the County offering medical insurance to their employees. Monthly premiums are paid to the Lawrence County Educational Service Center as fiscal agent, who in turn pays the claims on the District's behalf. The Council is responsible for the management and operations of the program. Upon termination of the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the fund of the Council.

**Chesapeake Union Exempted Village School District**

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

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

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

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

**Chesapeake Union Exempted Village School District**

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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.

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2018.

The School District's contractually required contribution to SERS was \$229,666 for fiscal year 2018. Of this amount \$18,475 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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 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.

**Chesapeake Union Exempted Village School District**

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

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$836,484 for fiscal year 2018. Of this amount \$114,518 is reported as an intergovernmental payable.



**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

The net pension liability reported as of June 30, 2018 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 projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0487926%	0.05075978%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0471409%</u>	<u>0.05131784%</u>	
Change in Proportionate Share	<u>0.0016517%</u>	<u>-0.00055806%</u>	
Proportion of the Net Pension Liability	\$2,915,250	\$12,058,095	\$14,973,345
Pension Expense (Gain)	(\$48,344)	(\$4,880,064)	(\$4,928,408)

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

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$ 125,462	\$ 465,627	\$ 591,089
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	111,543	62,128	173,671
Changes of assumptions	150,750	2,637,238	2,787,988
School District contributions subsequent to the measurement date	<u>229,666</u>	<u>836,484</u>	<u>1,066,150</u>
Total	<u>\$ 617,421</u>	<u>\$ 4,001,477</u>	<u>\$ 4,618,898</u>

<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$ -	\$ 97,184	\$ 97,184
Differences between projected and actual investment earnings	13,838	397,931	411,769
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>45,585</u>	<u>401,019</u>	<u>446,604</u>
Total	<u>\$ 59,423</u>	<u>\$ 896,134</u>	<u>\$ 955,557</u>

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

\$1,066,150 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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$143,698	\$374,332	\$518,030
2020	192,001	948,352	1,140,353
2021	60,592	763,305	823,897
2022	<u>(67,959)</u>	<u>182,870</u>	<u>114,911</u>
Total	<u>\$328,332</u>	<u>\$2,268,859</u>	<u>\$2,597,191</u>

**Actuarial Assumptions - SERS**

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

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

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

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

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

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

**Chesapeake Union Exempted Village School District**

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – SERS (continued)**

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

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

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 Estate	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	<u>100.00 %</u>	

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,045,609	\$2,915,250	\$1,968,343

**Chesapeake Union Exempted Village School District**

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - STRS**

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

	<u>July 1, 2017</u>
Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017
Payroll Increases	3.00%
	<u>July 1, 2016</u>
Inflation	2.75 percent
Projected salary increases	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.
Payroll Increases	3.50%

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 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 June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

**Chesapeake Union Exempted Village School District**

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS (continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.45% 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 the rates described previously. 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 Ohio’s 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% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

**Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District’s proportionate share of the net pension liability 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	\$17,284,868	\$12,058,095	\$7,655,321

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2018, two of the members of the Board of Education had elected Social Security. The Board’s liability is 6.2 percent of wages paid.

**NOTE 10 – DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

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

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

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

**Chesapeake Union Exempted Village School District**

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

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**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

**Net OPEB Liability (continued)**

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

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

**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](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .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 \$25,316.

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 \$33,819 for fiscal year 2018. Of this amount \$25,976 is reported as an intergovernmental payable.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

**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](http://www.strsoh.org) or by calling (888) 227-7877.

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

**Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.04761850%	0.05131784%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.04946630%</u>	<u>0.05075978%</u>	
Change in Proportionate Share	<u>0.00184780%</u>	<u>-0.00055806%</u>	
Proportionate Share of the Net			
OPEB Liability	\$1,327,546	\$1,980,459	\$3,308,005
OPEB Expense (Gain)	\$87,807	(\$608,593)	(\$520,786)

**Chesapeake Union Exempted Village School District**

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

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

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

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$ -	\$ 114,324	\$ 114,324
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	38,661	-	38,661
School District contributions subsequent to the measurement date	33,819	-	33,819
Total	<u>\$ 72,480</u>	<u>\$ 114,324</u>	<u>\$ 186,804</u>
<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$ 3,506	\$ 84,650	\$ 88,156
Changes of assumptions	125,977	159,532	285,509
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	-	25,581	25,581
Total	<u>\$ 129,483</u>	<u>\$ 269,763</u>	<u>\$ 399,246</u>

\$33,819 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$32,512)	(\$32,961)	(\$65,473)
2020	(32,512)	(32,961)	(65,473)
2021	(24,920)	(32,961)	(57,881)
2022	(878)	(32,963)	(33,841)
2023	0	(11,799)	(11,799)
Thereafter	0	(11,794)	(11,794)
Total	<u>(\$90,822)</u>	<u>(\$155,439)</u>	<u>(\$246,261)</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.



**Chesapeake Union Exempted Village School District**

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

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**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

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.

**Chesapeake Union Exempted Village School District**

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

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

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

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

**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	\$1,603,180	\$1,327,546	\$1,109,172

**Chesapeake Union Exempted Village School District**

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

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

	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	\$1,077,204	\$1,327,546	\$1,658,877

**Actuarial Assumptions - STRS**

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 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.

**Chesapeake Union Exempted Village School District**

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

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**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS (continued)**

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

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

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Chesapeake Union Exempted Village School District**

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

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS (continued)**

***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	\$2,658,735	\$1,980,459	\$1,444,400
		<u>Current Trend Rate</u>	
	<u>1% Decrease</u>		<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$1,375,938	\$1,980,459	\$2,776,080

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment up to two years of credit. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 63 days for all personnel with ten or more years of service.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Guardian Life Insurance Company.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**Chesapeake Union Exempted Village School District**

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

**NOTE 12 - LONG-TERM LIABILITIES**

The changes in the School District's long-term liabilities during fiscal year 2018 were as follows:

	Principal Outstanding 7/1/2017*	Additions	Deletions	Principal Outstanding 6/30/2018	Due in One Year
General Obligation Bonds:					
2006 School Improvement Refundings Bonds \$2,044,996					
Term Bonds - \$1,385,000 @ 3.6%-4.1%	\$ 515,000	\$ -	\$ 165,000	\$ 350,000	\$ -
Capital Appreciation Bonds - \$49,996 @ 4.3%-4.5%	49,996	-	-	49,996	19,195
Accretion of Interest - \$470,004 @ 17.58%	290,408	54,082	-	344,490	-
Premium - \$218,538	61,104	-	13,659	47,445	-
2015 Limited-Tax General Obligation Bonds					
Term Bonds - \$1,074,750 @ 3.52%	943,150	-	58,450	884,700	60,500
Premium - \$22,581	19,571	-	1,505	18,066	-
<b>Total General Obligation Bonds</b>	<b>1,879,229</b>	<b>54,082</b>	<b>238,614</b>	<b>1,694,697</b>	<b>79,695</b>
Net Pension Liability:					
STRS	17,177,628	-	5,119,533	12,058,095	-
SERS	3,450,279	-	535,029	2,915,250	-
<b>Total Net Pension Liability</b>	<b>20,627,907</b>	<b>-</b>	<b>5,654,562</b>	<b>14,973,345</b>	<b>-</b>
Net OPEB Liability:					
STRS	2,744,491	-	764,032	1,980,459	-
SERS	1,357,304	-	29,758	1,327,546	-
<b>Total OPEB Pension Liability</b>	<b>4,101,795</b>	<b>-</b>	<b>793,790</b>	<b>3,308,005</b>	<b>-</b>
Capital Leases	871,000	-	57,300	813,700	59,700
Certificates of Participation	2,345,000	-	135,000	2,210,000	140,000
Compensated Absences	474,480	799,848	608,008	666,320	8,682
<b>Total Long-Term Liabilities</b>	<b>\$ 30,299,411</b>	<b>\$ 853,930</b>	<b>\$ 7,487,274</b>	<b>\$ 23,666,067</b>	<b>\$ 288,077</b>

\* As restated for GASB 75, see Note 22 for additional information.

2006 School Improvement Refunding General Obligation Bonds – On December 21, 2005, the Chesapeake Union Exempted Village School District issued \$2,044,996 of General Obligation Bonds which included serial, term, and capital appreciation (deep discount) bonds in the amount of \$610,000, \$1,385,000, and \$49,996, respectively. The term bonds are subject to optional redemption and the capital appreciation bonds are not subject to redemption prior to scheduled maturity. The bonds were issued to refund \$2,045,000 of outstanding 1999 School Improvement General Obligation Bonds. The bonds were issued for a 16 year period with final maturity at December 1, 2022. At the date of refunding, \$2,213,148 (including premium and after underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 1999 School Improvement Bonds. As of June 30, 2018, \$350,000 of the refunded bonds is still outstanding. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

These refunding bonds were issued with a premium of \$218,538 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2018 was \$13,659. The issuance costs of \$50,386 were expensed. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$168,152. This difference is recorded as a deferred outflow of resources on the Statement of Net Position and is being amortized over the life of the refunded debt.

**Chesapeake Union Exempted Village School District**

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

**NOTE 12 - LONG-TERM LIABILITIES** (continued)

The current interest term bonds that matured on December 1, 2017, and 2022 are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. The mandatory redemption is to occur on December 1, in each of the years 2016 through 2017, and 2021 through 2022 at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The capital appreciation bonds for this issue mature December 1, 2018 through December 1, 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$520,000. For fiscal year 2018, \$54,082 was accreted for a total capital appreciation bond liability of \$344,490.

2015 Limited-Tax General Obligation Bonds – On June 18, 2015, the Chesapeake Union Exempted Village School District issued \$1,074,750 of General Obligation Bonds. The bonds were issued in order to finance a School Energy Performance Contract (House Bill 264) through the Ohio Facilities Construction Committee. The bonds mature in December 2029.

These bonds were issued with a premium of \$22,581 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2018 was \$1,505. The issuance costs of \$22,581 were expensed.

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

Fiscal year Ending June 30,	2006 School Improvement Refunding Bonds				2015 General Obligation Bonds	
	Serial and Term Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Accretion	Principal	Interest
2019	\$ -	\$ 14,350	\$ 19,195	\$ 150,805	\$ 60,500	\$ 30,077
2020	-	14,350	16,695	158,305	62,650	27,909
2021	-	14,350	14,106	160,893	64,850	25,665
2022	170,000	10,865	-	-	67,150	23,342
2023	180,000	3,690	-	-	69,500	20,937
2024-2028	-	-	-	-	385,950	65,541
2029-2030	-	-	-	-	174,100	6,182
Totals	<u>\$ 350,000</u>	<u>\$ 57,605</u>	<u>\$ 49,996</u>	<u>\$ 470,003</u>	<u>\$ 884,700</u>	<u>\$ 199,653</u>

The School District's overall debt margin was \$10,622,930, with an unvoted debt margin of \$132,307, at June 30, 2018.

Compensated absences are being paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant fund. The 2006 School Improvement Refunding Bonds are being repaid from the Bond Retirement Fund and the 2015 Limited-Tax General Obligation Bonds are being paid from the General Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

**A. Capital Lease Obligation**

During a previous fiscal year, the School District entered into a lease-purchase agreement for the installation of a new Heating, Ventilation, and Air Conditioning (HVAC) system in the amount of \$1,028,300. The School District is leasing the equipment from T.M.I. Energy Solutions and will retain title to the project during the lease term. This project was financed with Huntington National Bank and the School District is making annual lease payments each December. The interest rate is fixed at 4.20 percent and expires in fiscal year 2029. At the end of fiscal year 2018, the outstanding balance of the lease was \$813,700. The lease is being repaid from the General Fund.

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:

Fiscal Year Ending June 30,	Total Payments
2019	\$ 93,875
2020	93,868
2021	93,856
2022	93,934
2023	93,895
2024-2028	469,459
2029	93,884
Total	1,032,771
Less: Amount Representing Interest	(219,071)
Present Value of Minimum Lease Payments	<u>\$813,700</u>

**B. Certificates of Participation**

During fiscal year 2013, the School District entered into certificates of participation to finance the construction of an athletic complex. The School District is leasing the projects from PS&W Holding Company, Inc. PSW& Holding Company, Inc. will retain title to the project during the certificate term. PS&W Holding Company, Inc. has assigned US Bank as trustee. The School District is making semi-annual payments to US Bank. Principal payments in fiscal year 2018 totaled \$135,000 in the governmental funds. This debt is being repaid from the Permanent Improvement Fund.

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2018:

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	140,000	73,800	213,800
2020	145,000	69,525	214,525
2021	145,000	65,175	210,175
2022	155,000	60,675	215,675
2023	155,000	56,025	211,025
2024-2028	870,000	194,651	1,064,651
2029-2033	600,000	60,065	660,065
Total	<u>\$2,210,000</u>	<u>\$579,916</u>	<u>\$2,789,916</u>



**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**NOTE 14 - INTERFUND TRANSFERS**

As of June 30, 2018, transfers were as follows:

	<u>Transfer To</u>	<u>Transfer From</u>
Major Fund:		
General Fund	\$ -	\$ 126,557
Non-Major Funds:		
Food Service	124,684	-
Athletic	<u>1,873</u>	<u>-</u>
Total All Funds	<u>\$ 126,557</u>	<u>\$ 126,557</u>

The Food Service Fund received a transfer in from the General Fund in order to avoid a negative fund balance and the Athletic Fund received a transfer in from the General Fund in order to fund purchases of athletic equipment for the students of the District.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*Collins Career Center* - The Collins Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake Union Exempted Village School District, two from the Ironton City School District and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619.

*South Central Ohio Computer Association Regional Council of Governments* - The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$33,327 for services provided during the fiscal year.

**Chesapeake Union Exempted Village School District**

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

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

*Metropolitan Educational Technology Association* - META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META \$26,793 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 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 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.

**NOTE 16 - INSURANCE PURCHASING AND SHARED RISK POOLS**

The Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program (GRP) is an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The Lawrence County Schools Council of Governments Health Benefits Program (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a Board of Directors, which consists of the superintendent from each participating school district. The Council elects officers for one-year terms to serve on the Board of Directors. The Board of Directors exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the Council.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS**

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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future 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.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2017	\$ -
Current year set-aside requirement	253,834
Current year offsets	(88,993)
Current year qualifying expenditures	<u>(164,841)</u>
Set-aside Balance as of June 30, 2018	<u><u>\$ -</u></u>

**NOTE 18 - 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**

The School District is not currently party to legal proceedings.

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District and does not anticipate any further FTE adjustments for FY 2018. The School District has recorded a liability in the amount of \$1,104.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**NOTE 19 – ACCOUNTABILITY AND COMPLIANCE**

**Accountability - Fund Balance Deficits**

At June 30, 2018, the Food Service, Title VI-B, Title I, and Title VI-R nonmajor special revenue funds had fund balance deficits of \$31,921, \$6,443, \$11,680, and \$6,081, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 20 – FUND BALANCES**

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Prepaid Items	\$ 12,206	\$ -	\$ -	\$ 12,206
<b>Restricted for</b>				
Other Purposes	-	-	330,833	330,833
Classroom Facilities Maintenance	-	-	36,711	36,711
Miscellaneous Federal Grants	-	-	34,335	34,335
Capital Projects	-	-	245,892	245,892
Debt Services Payments	-	443,496	-	443,496
Total Restricted	<u>-</u>	<u>443,496</u>	<u>647,771</u>	<u>1,091,267</u>
<b>Committed to</b>				
Underground Storage Tanks	11,000	-	-	11,000
Total Committed	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
<b>Assigned to</b>				
Other Purposes	586,932	-	-	586,932
<b>Unassigned (Deficit)</b>				
	2,760,904	-	(56,125)	2,704,779
Total Fund Balances	<u>\$ 3,371,042</u>	<u>\$ 443,496</u>	<u>\$ 591,646</u>	<u>\$ 4,406,184</u>

**Chesapeake Union Exempted Village School District**

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

**NOTE 21 – COMMITMENTS**

A. Contractual

As of June 30, 2018, the School District’s contractual purchase commitments for School District improvements are as follows:

Vendor	Contract Amount	Amount Expended	Balance at 06/30/18
T.M.I. Energy Solutions	\$151,545	\$0	\$151,545

B. Encumbrances

At June 30, 2018, the School District had encumbrance commitments in governmental fund as follows:

Fund	Amount
Major Fund:	
General	\$572,598
Non-Major Funds:	
Classroom Facilities Maintenance	119,006
Permanent Improvement	11,901
Athletics	1,144
E-Rate	1,157
Total Non-Major Funds	<u>133,208</u>
Total Encumbrances	<u><u>\$705,806</u></u>

**NOTE 22 – NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES**

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the School District and certain additional disclosures have been made in the notes to the basic financial statements.

Net position, July 1, 2017-As previously stated	\$740,539
School District Share of Beginning Plan Net OPEB Liability	(4,101,795)
School District Share of 2017 Employer Contributions	<u>26,743</u>
Net position, July 1, 2017-As restated	<u><u>(\$3,334,513)</u></u>

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the School District.

GASB Statement No. 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]). GASB Statement No. 85 did not have an effect on the financial statements of the School District.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 19,588,417,687	\$ 19,770,708,121	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>13,613,638,590</u>	<u>12,451,630,823</u>	<u>12,797,184,030</u>	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0487926%	0.0471409%	0.0481101%	0.0455230%	0.0455230%
School District's proportionate share of the net pension liability	\$ 2,915,250	\$ 3,450,279	\$ 2,745,209	\$ 2,303,893	\$ 2,707,107
School District's covered-employee payroll	\$ 1,711,114	\$ 1,806,900	\$ 1,448,323	\$ 1,322,799	\$ 1,615,014
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.37%	190.95%	189.54%	174.17%	167.62%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 96,126,440,462	\$100,756,422,489	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>72,371,226,119</u>	<u>67,283,408,184</u>	<u>71,377,578,736</u>	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.05075978%	0.05131784%	0.05099761%	0.05318081%	0.05318081%
School District's proportionate share of the net pension liability	\$ 12,058,095	\$ 17,177,628	\$ 14,094,248	\$ 12,935,413	\$ 15,408,580
School District's covered-employee payroll	\$ 5,403,000	\$ 5,308,800	\$ 5,320,743	\$ 5,433,607	\$ 5,274,100
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.17%	323.57%	264.89%	238.06%	292.16%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2014 is not available.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of School District Pension Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 229,666	\$ 239,556	\$ 252,966	\$ 190,889	\$ 183,340	\$ 223,518	\$ 208,547	\$ 180,515	\$ 245,488	\$ 150,072
Contributions in relation to the contractually required contribution	<u>(229,666)</u>	<u>(239,556)</u>	<u>(252,966)</u>	<u>(190,889)</u>	<u>(183,340)</u>	<u>(223,518)</u>	<u>(208,547)</u>	<u>(180,515)</u>	<u>(245,488)</u>	<u>(150,072)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 1,701,230	\$ 1,711,114	\$ 1,806,900	\$ 1,448,323	\$ 1,322,799	\$ 1,615,014	\$ 1,550,535	\$ 1,436,078	\$ 1,813,058	\$ 1,525,122
Contributions as a percentage of covered employee payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%



**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of School District Pension Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 836,484	\$ 756,420	\$ 743,232	\$ 744,904	\$ 706,391	\$ 685,633	\$ 790,495	\$ 725,407	\$ 803,088	\$ 765,343
Contributions in relation to the contractually required contribution	<u>(836,484)</u>	<u>(756,420)</u>	<u>(743,232)</u>	<u>(744,904)</u>	<u>(706,391)</u>	<u>(685,633)</u>	<u>(790,495)</u>	<u>(725,407)</u>	<u>(803,088)</u>	<u>(765,343)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 5,974,886	\$ 5,403,000	\$ 5,308,800	\$ 5,320,743	\$ 5,433,607	\$ 5,274,100	\$ 6,080,731	\$ 5,580,054	\$ 6,177,600	\$ 5,887,254
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Years*

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	<b>2018</b>	<b>2017</b>
Total plan OPEB liability	\$ 3,065,846,821	\$ 3,220,574,434
Plan net position	382,109,560	370,204,515
Net OPEB liability	2,683,737,261	2,850,369,919
School District's proportion of the net OPEB liability	0.0494663%	0.0476185%
School District's proportionate share of the net OPEB liability	\$ 1,327,546	\$ 1,357,304
School District's covered-employee payroll	\$ 1,806,900	\$ 1,448,323
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	73.47%	93.72%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

(1) Information prior to 2017 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Years*

	<u>2018</u>	<u>2017</u>
Total plan OPEB liability	\$ 7,377,410,000	\$ 8,533,654,000
Plan net position	<u>3,475,779,000</u>	<u>3,185,628,000</u>
Net OPEB liability	3,901,631,000	5,348,026,000
School District's proportion of the net OPEB liability	0.05075978%	0.05131784%
School District's proportionate share of the net OPEB liability	\$ 1,980,459	\$ 2,744,491
School District's covered-employee payroll	\$ 5,403,000	\$ 5,308,800
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	36.64%	51.70%
Plan fiduciary net position as a percentage of the total OPEB liability	47.11%	37.33%

(1) Information prior to 2017 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of School District OPEB Contributions*  
*School Employees Retirement System of Ohio*  
*Last Three Years*

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	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 33,819	\$ 26,743	\$ 34,743
Contributions in relation to the contractually required contribution	(33,819)	(26,743)	(34,743)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 1,711,114	\$ 1,806,900	\$ 1,448,323
Contributions as a percentage of covered employee payroll	1.98%	1.48%	2.40%

(1) Information prior to 2016 is not available.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of School District OPEB Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Three Years*

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	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 5,974,886	\$ 5,403,000	\$ 5,308,800
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

**Chesapeake Union Exempted Village School District**

*Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2018*

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**Pension: 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:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
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.

**Pension: 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:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
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.

**Chesapeake Union Exempted Village School District**

*Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2018*

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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.

**OPEB: 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

**OPEB: 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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**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT  
LAWRENCE COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grant Year</b>	<b>Provided Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2017-2018	\$ 0	\$ 28,185
Cash Assistance:				
School Breakfast Program	10.553	2017-2018	0	96,948
National School Lunch Program	10.555	2017-2018	0	254,205
Total Child Nutrition Cluster			<u>0</u>	<u>379,338</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>379,338</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	2017 2018	0 0	37,991 351,165
Total Title I Grants to Local Educational Agencies			<u>0</u>	<u>389,156</u>
Special Education Cluster:				
Special Education Grants to States	84.027	2017 2018	0 0	54,381 288,976
Total Special Education Cluster			<u>0</u>	<u>343,357</u>
Twenty-First Century Community Learning Centers	84.287	2018	0	600,000
Supporting Effective Instruction State Grants	84.367	2017 2018	0 0	2,354 49,232
Total Supporting Effective Instruction State Grants			<u>0</u>	<u>51,586</u>
Student Support and Academic Enrichment Program	84.424	2018	0	10,000
Total U.S. Department of Education			<u>0</u>	<u>1,394,099</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$</u></u>	<u><u>\$ 1,773,437</u></u>

*The accompanying notes are an integral part of this schedule.*

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT  
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

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

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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

Chesapeake Union Exempted Village School District  
Lawrence County  
10183 County Road 1  
Chesapeake, Ohio 45619

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chesapeake Union Exempted Village School District, Lawrence County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 6, 2019 wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the 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

March 6, 2019

# OHIO AUDITOR OF STATE KEITH FABER



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

Chesapeake Union Exempted Village School District  
Lawrence County  
10183 County Road 1  
Chesapeake, Ohio 45619

To the Board of Education:

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

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

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

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

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

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

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

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

In our opinion, the Chesapeake Union Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2018.

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 6, 2019

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Twenty-First Century Community Learning Centers – CFDA #84.287
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Inadequate pledged collateral for School District deposits.	Corrective Action taken and Finding is Fully Corrected.	The School District's financial institution provided adequate pledged collateral.

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# OHIO AUDITOR OF STATE KEITH FABER



**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT**

**LAWRENCE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 26, 2019**