



OHIO AUDITOR OF STATE  
**KEITH FABER**





**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

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One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Coldwater Exempted Village School District  
Mercer County  
310 North Second Street  
Coldwater, Ohio 45828

To the Board of Education:

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

We have audited the accompanying modified-cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coldwater Exempted Village School District, Mercer County, Ohio (the School District), as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Coldwater Exempted Village School District, Mercer County, Ohio, as of June 30, 2019 and 2018, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the fiscal years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 5, 2020

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

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The discussion and analysis of the Coldwater Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position decreased \$400,711, or 4.7 percent from fiscal year 2018.
- Outstanding debt decreased from \$5,745,889 to \$5,645,000 through principal payments made during the current fiscal year.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2019, the General Fund and Debt Service Fund are the School District's most significant funds.

***Basis of Accounting***

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

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

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

*Unaudited*  
*(Continued)*

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

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The statement of net position and the statement of activities answer this question.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and the 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 cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

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



**Coldwater Exempted Village School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited  
(Continued)*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2019 compared to 2018.

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

	Governmental Activities		
	2019	2018	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 8,129,345	\$ 8,530,056	\$ (400,711)
<i>Total Assets</i>	<u>\$ 8,129,345</u>	<u>\$ 8,530,056</u>	<u>\$ (400,711)</u>
<b>Net Position</b>			
Restricted for:			
Debt Service	\$ 1,047,053	\$ 1,064,861	\$ (17,808)
Capital Outlay	3,384	1,884	1,500
Classroom Facilities Maintenance	609,389	788,964	(179,575)
Set Asides	30,977	30,977	0
Other Purposes	519,947	439,675	80,272
Unrestricted	<u>5,918,595</u>	<u>6,203,695</u>	<u>(285,100)</u>
<i>Total Net Position</i>	<u>\$ 8,129,345</u>	<u>\$ 8,530,056</u>	<u>\$ (400,711)</u>

Net position of the governmental activities decreased from fiscal year 2018. The decrease in net position is the result of a decrease in receipts and an increase in disbursements, both of which are discussed in detail following Table 2.

A portion of the School District's net position represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position may be used to meet the School District's ongoing obligations.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*  
*(Continued)*

Table 2 shows the changes in net position for fiscal year 2019 as compared to fiscal year 2018.

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

	Governmental Activities		
	2019	2018	Change
<b>Receipts</b>			
<b>Program Receipts</b>			
Charges for Services and Sales	\$ 2,262,143	\$ 2,150,495	\$ 111,648
Operating Grants, Contributions and Interest	1,075,398	1,023,741	51,657
<b>Total Program Receipts</b>	<b>3,337,541</b>	<b>3,174,236</b>	<b>163,305</b>
<b>General Receipts</b>			
Property Taxes	4,334,705	4,501,839	(167,134)
Income Taxes	961,526	877,974	83,552
Grants and Entitlements not Restricted to			
Specific Programs	7,366,518	7,392,569	(26,051)
Payments in Lieu of Taxes	1,500	1,500	0
Proceeds from Sale of Assets	9,147	14,532	(5,385)
Investment Earnings	102,042	67,616	34,426
Miscellaneous	96,649	108,133	(11,484)
<b>Total General Receipts</b>	<b>12,872,087</b>	<b>12,964,163</b>	<b>(92,076)</b>
<b>Total Receipts</b>	<b>16,209,628</b>	<b>16,138,399</b>	<b>71,229</b>
<b>Program Disbursements</b>			
Instruction:			
Regular	8,119,700	7,624,778	494,922
Special	1,902,902	2,002,924	(100,022)
Vocational	565,277	549,708	15,569
Support Services:			
Pupils	482,497	480,397	2,100
Instructional Staff	357,181	328,732	28,449
Board of Education	17,283	14,918	2,365
Administration	1,198,169	1,159,532	38,637
Fiscal	375,920	380,595	(4,675)
Operation and Maintenance of Plant	1,245,334	1,157,583	87,751
Pupil Transportation	424,257	340,325	83,932
Central	32,424	32,672	(248)
Operation of Non-Instructional Services:			
Food Service Operations	533,174	528,616	4,558
Extracurricular Activities	796,409	725,150	71,259
Capital Outlay	770	0	770
Debt Service:			
Principal Retirement	100,889	124,779	(23,890)
Interest and Fiscal Charges	458,153	434,262	23,891
<b>Total Program Disbursements</b>	<b>16,610,339</b>	<b>15,884,971</b>	<b>725,368</b>
<b>Change in Net Position</b>	<b>(400,711)</b>	<b>253,428</b>	<b>(654,139)</b>
<b>Net Position Beginning of Year</b>	<b>8,530,056</b>	<b>8,276,628</b>	<b>253,428</b>
<b>Net Position End of Year</b>	<b>\$ 8,129,345</b>	<b>\$ 8,530,056</b>	<b>\$ (400,711)</b>

Several receipt sources fund the School District's governmental activities with unrestricted grants and entitlements being the largest contributor. Unrestricted grants and entitlements generated \$7.3 million in fiscal year 2019. General receipts from property and income taxes are also a large generator of \$5.3 million.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*  
*(Continued)*

Property tax receipts decreased in fiscal year 2019 due to a reappraisal in which agricultural values decreased 16 percent. The majority of this was offset by increases in all the other classifications, however, not all of it was offset. The significant increase in regular instruction disbursements was due to several factors. In addition to the entire staff receiving a 2 percent salary increase, approximately 15 percent of the teaching staff moved up on the salary schedule due to education, resulting in a cost of approximately \$250,000. Additionally, health insurance premiums increased 8 percent and the Board contributed to those enrolling into a health savings plan costing approximately \$100,000 more than the prior year. Also, due to changes in the due dates of insurance premiums (first of the month versus end of the month) resulted in an additional insurance payment of approximately \$100,000 in fiscal year 2019.

**Governmental Activities**

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

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

	<u>Total Costs of Services</u>		<u>Net Costs of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 8,119,700	\$ 7,624,778	\$ 6,813,645	\$ 6,445,554
Special	1,902,902	2,002,924	1,125,146	1,246,998
Vocational	565,277	549,708	469,745	454,873
Support Services:				
Pupils	482,497	480,397	482,497	480,397
Instructional Staff	357,181	328,732	351,781	323,332
Board of Education	17,283	14,918	17,283	14,918
Administration	1,198,169	1,159,532	1,116,896	1,074,175
Fiscal	375,920	380,595	375,920	380,595
Operation and Maintenance of Plant	1,245,334	1,157,583	1,174,993	1,150,804
Pupil Transportation	424,257	340,325	424,257	281,975
Central	32,424	32,672	32,424	32,672
Operation of Non-Instructional Services:				
Food Service Operations	533,174	528,616	(14,781)	(39,270)
Extracurricular Activities	796,409	725,150	343,180	304,671
Capital Outlay	770	0	770	0
Debt Service:				
Principal Retirement	100,889	124,779	100,889	124,779
Interest and Fiscal Charges	458,153	434,262	458,153	434,262
<b><i>Total</i></b>	<b><u>\$ 16,610,339</u></b>	<b><u>\$ 15,884,971</u></b>	<b><u>\$ 13,272,798</u></b>	<b><u>\$ 12,710,735</u></b>

The dependence upon tax revenues and general revenue entitlements from the State for governmental activities is apparent. Program revenues only account for 20 percent of all governmental expenses. The community is the largest area of support for the School District students.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*  
*(Continued)*

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

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

The School District's governmental funds reported a combined fund balance of \$8,129,345, which is lower than the prior year balance of \$8,530,056.

The General Fund's fund balance decreased \$284,688 in fiscal year 2019. While receipts increased slightly, there was a significant increase in disbursements, primarily regular instruction, which were previously discussed in detail after Table 2.

The Debt Service Fund balance decreased \$17,808 in fiscal year 2019. The decrease in fund balance can be attributed to a timing difference between tax receipts and debt payments.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2019, the School District amended its general fund budget. For the general fund, final budget basis receipts were \$14,121,746, excluding other financing sources, representing an increase of \$153,000 from the original estimate of \$13,968,746. Actual receipts of \$13,990,937, excluding other financing sources, were \$130,809 less than the final budget.

For fiscal year 2019, the general fund final budget basis disbursements were \$14,564,118, excluding other financing uses, which is slightly more than the original budgeted disbursements of \$14,200,920. Actual disbursements of \$14,327,264, excluding other financing uses, were \$236,854 lower than the final budget.

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

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2019 and 2018.

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

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
2012 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	<u>\$ 5,645,000</u>	<u>\$ 5,745,889</u>

For further information regarding the School District's debt, refer to Note 7 of the basic financial statements.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

*Unaudited*  
*(Continued)*

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***Current Issues***

There are several large factors that greatly impact the School District's financial stability: 1) the State's educational funding, which is hard to determine and dependent upon the legislators, 2) health insurance costs, and 3) the local economy.

The School District has not received in several years any meaningful growth in State receipts. Each biennial budget brings with it a new set of concerns, as public K-12 is impacted by the State's budget adoption. The main concern is whether or not the funding formula is going to change, and if so, how will it impact the School District's state funding. Additionally, the School District's federal grant funds have been reduced significantly during the past few years.

Fortunately, the School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The community renewed a 10 year \$550,000 emergency operating levy in March 2016.

Real estate and personal property tax collections have shown increases on average. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later, the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, School District's dependence upon property taxes is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

In summary, the School District's receipts have been increasing at a much slower pace in comparison to disbursements. Therefore, administration has diligently planned expenses so that every attempt is made not to seek additional operating levies. This has been made increasingly difficult with unfunded mandates to provide required special education services as well significant increases in health insurance, utility costs and other goods and services.

There are major events occurring worldwide that affect our local School District operations: federal spending being redirected (due to security issues and other defense needs), changes in law affecting agriculture (since Mercer County is the top agricultural county in the state), and other uncertainties at the federal and global levels. The economic impact from any or all of these would cause a reduction or loss of state and/or federal subsidies. Businesses such as Valco, Kenn-Feld Group, Lefeld Welding, Helena Chemical, Mercer Landmark, and other county agricultural groups would certainly feel the fallout from decisions affecting agriculture, which in turn would affect local employment. In addition, the high cost of fuel has directly affected not only transportation cost but also other purchases. Vendors recouping their own manufacturing and transportation costs increases the price of merchandise sold to schools. In summary, management must be mindful of what is happening in the economy and the impact it may have on the price of goods and services needed.

**Coldwater Exempted Village School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited  
(Continued)*

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Management is utilizing the curriculum and academic programs to drive the budgetary process. This requires additional time by staff and building administrators to be spent on evaluating wants and needs while reviewing expenses then consider of reallocation of appropriation to the desired programs. This is a commitment that must be made by all staff, but is beneficial to the entire School District.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to 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 Jenn McCoy, Treasurer of Coldwater Exempted Village School District, 310 North Second Street, Coldwater, OH 45828.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
*June 30, 2019*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,129,345
<i>Total Assets</i>	\$ 8,129,345
<b>Net Position</b>	
Restricted for:	
Debt Service	\$ 1,047,053
Capital Outlay	3,384
Classroom Facilities Maintenance	609,389
Set Asides	30,977
Other Purposes	519,947
Unrestricted	5,918,595
<i>Total Net Position</i>	\$ 8,129,345

See accompanying notes to the basic financial statements.

**Coldwater Exempted Village School District  
Mercer County, Ohio**

*Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2019*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 8,119,700	\$ 1,210,695	\$ 95,360	\$ (6,813,645)
Special	1,902,902	229,514	548,242	(1,125,146)
Vocational	565,277	242	95,290	(469,745)
Support Services:				
Pupils	482,497	0	0	(482,497)
Instructional Staff	357,181	0	5,400	(351,781)
Board of Education	17,283	0	0	(17,283)
Administration	1,198,169	0	81,273	(1,116,896)
Fiscal	375,920	0	0	(375,920)
Operation and Maintenance of Plant	1,245,334	15,303	55,038	(1,174,993)
Pupil Transportation	424,257	0	0	(424,257)
Central	32,424	0	0	(32,424)
Operation of Non-Instructional Services:				
Food Service Operations	533,174	393,050	154,905	14,781
Extracurricular Activities	796,409	413,339	39,890	(343,180)
Capital Outlay	770	0	0	(770)
Debt Service:				
Principal Retirement	100,889	0	0	(100,889)
Interest and Fiscal Charges	458,153	0	0	(458,153)
<i>Totals</i>	<u>\$ 16,610,339</u>	<u>\$ 2,262,143</u>	<u>\$ 1,075,398</u>	<u>(13,272,798)</u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	3,819,413
Debt Service	463,080
Building Maintenance	52,212
Income Taxes Levied for:	
General Purposes	961,526
Grants and Entitlements not Restricted to Specific Programs	7,366,518
Payments in Lieu of Taxes	1,500
Proceeds from Sale of Assets	9,147
Investment Earnings	102,042
Miscellaneous	96,649
<i>Total General Receipts</i>	<u>12,872,087</u>
<i>Change in Net Position</i>	(400,711)
<i>Net Position Beginning of Year</i>	<u>8,530,056</u>
<i>Net Position End of Year</i>	<u>\$ 8,129,345</u>

See accompanying notes to the basic financial statements.



**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*June 30, 2019*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,950,816	\$ 1,047,053	\$ 1,131,476	\$ 8,129,345
<i>Total Assets</i>	<u>\$ 5,950,816</u>	<u>\$ 1,047,053</u>	<u>\$ 1,131,476</u>	<u>\$ 8,129,345</u>
<b>Fund Balances</b>				
Nonspendable	\$ 1,244	\$ 0	\$ 0	\$ 1,244
Restricted	30,977	1,047,053	1,131,476	2,209,506
Committed	53,222	0	0	53,222
Assigned	923,749	0	0	923,749
Unassigned	4,941,624	0	0	4,941,624
<i>Total Fund Balances</i>	<u>\$ 5,950,816</u>	<u>\$ 1,047,053</u>	<u>\$ 1,131,476</u>	<u>\$ 8,129,345</u>

See accompanying notes to the basic financial statements.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Modified Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2019*

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 3,819,413	\$ 463,080	\$ 52,212	\$ 4,334,705
Income Taxes	961,526	0	0	961,526
Intergovernmental	7,648,393	88,964	647,358	8,384,715
Investment Income	102,042	0	3,315	105,357
Tuition and Fees	1,432,856	0	0	1,432,856
Rent	3,003	0	0	3,003
Extracurricular Activities	112,839	0	300,667	413,506
Gifts and Donations	8,521	0	45,365	53,886
Customer Sales and Services	4,425	0	408,353	412,778
Payments in Lieu of Taxes	0	0	1,500	1,500
Miscellaneous	76,778	0	19,871	96,649
<i>Total Receipts</i>	<u>14,169,796</u>	<u>552,044</u>	<u>1,478,641</u>	<u>16,200,481</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	8,022,558	0	97,142	8,119,700
Special	1,699,780	0	203,122	1,902,902
Vocational	549,906	0	15,371	565,277
Support Services:				
Pupils	482,497	0	0	482,497
Instructional Staff	351,781	0	5,400	357,181
Board of Education	17,283	0	0	17,283
Administration	1,113,777	0	84,392	1,198,169
Fiscal	363,934	10,810	1,176	375,920
Operation and Maintenance of Plant	931,310	0	314,024	1,245,334
Pupil Transportation	424,257	0	0	424,257
Central	32,424	0	0	32,424
Extracurricular Activities	475,488	0	320,921	796,409
Operation of Non-Instructional Services:				
Food Service Operations	0	0	533,174	533,174
Capital Outlay	770	0	0	770
Debt Service:				
Principal Retirement	0	100,889	0	100,889
Interest and Fiscal Charges	0	458,153	0	458,153
<i>Total Disbursements</i>	<u>14,465,765</u>	<u>569,852</u>	<u>1,574,722</u>	<u>16,610,339</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(295,969)</u>	<u>(17,808)</u>	<u>(96,081)</u>	<u>(409,858)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	9,147	0	0	9,147
Advances In	13,043	0	10,909	23,952
Advances Out	(10,909)	0	(13,043)	(23,952)
<i>Total Other Financing Sources (Uses)</i>	<u>11,281</u>	<u>0</u>	<u>(2,134)</u>	<u>9,147</u>
<i>Net Change in Fund Balances</i>	<u>(284,688)</u>	<u>(17,808)</u>	<u>(98,215)</u>	<u>(400,711)</u>
<i>Fund Balances Beginning of Year</i>	<u>6,235,504</u>	<u>1,064,861</u>	<u>1,229,691</u>	<u>8,530,056</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,950,816</u>	<u>\$ 1,047,053</u>	<u>\$ 1,131,476</u>	<u>\$ 8,129,345</u>

See accompanying notes to the basic financial statements.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Receipts, Disbursements and Changes in Cash Basis Fund*  
*Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2019*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Property and Other Local Taxes	\$ 3,990,419	\$ 3,990,419	\$ 3,819,413	\$ (171,006)
Income Tax	893,219	893,219	961,526	68,307
Intergovernmental	7,690,317	7,690,317	7,648,393	(41,924)
Interest	65,000	99,000	102,042	3,042
Tuition and Fees	1,304,141	1,423,141	1,432,781	9,640
Rent	2,800	2,800	3,003	203
Gifts and Donations	0	0	550	550
Customer Sales and Services	1,850	1,850	4,425	2,575
Miscellaneous	21,000	21,000	18,804	(2,196)
<i>Total Receipts</i>	<u>13,968,746</u>	<u>14,121,746</u>	<u>13,990,937</u>	<u>(130,809)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	7,654,386	7,988,502	7,911,095	77,407
Special	1,769,836	1,782,113	1,721,116	60,997
Vocational	549,499	585,549	554,476	31,073
Support Services:				
Pupils	497,816	495,254	482,581	12,673
Instructional Staff	354,105	358,860	352,219	6,641
Board of Education	15,398	17,928	17,283	645
Administration	1,095,871	1,124,499	1,116,277	8,222
Fiscal	523,246	389,844	372,302	17,542
Operation and Maintenance of Plant	936,359	1,011,598	993,927	17,671
Pupil Transportation	419,267	429,944	429,201	743
Central	33,746	33,746	32,424	1,322
Extracurricular Activities	349,866	344,756	342,843	1,913
Capital Outlay	1,525	1,525	1,520	5
<i>Total Disbursements</i>	<u>14,200,920</u>	<u>14,564,118</u>	<u>14,327,264</u>	<u>236,854</u>
<i>Excess of Revenues Over (Under) Disbursements</i>	<u>(232,174)</u>	<u>(442,372)</u>	<u>(336,327)</u>	<u>106,045</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	13,043	13,043	13,043	0
Proceeds from Sale of Assets	0	9,069	9,147	78
Refund of Prior Year Expenditures	23,000	23,000	8,825	(14,175)
Transfers Out	0	(40,000)	(40,000)	0
Advances Out	0	(10,909)	(10,909)	0
<i>Total Other Financing Sources (Uses)</i>	<u>36,043</u>	<u>(5,797)</u>	<u>(19,894)</u>	<u>(14,097)</u>
<i>Net Change in Fund Balance</i>	(196,131)	(448,169)	(356,221)	91,948
<i>Fund Balance Beginning of Year</i>	5,921,478	5,921,478	5,921,478	0
Prior Year Encumbrances Appropriated	120,030	120,030	120,030	0
<i>Fund Balance End of Year</i>	<u>\$ 5,845,377</u>	<u>\$ 5,593,339</u>	<u>\$ 5,685,287</u>	<u>\$ 91,948</u>

See accompanying notes to the basic financial statements.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2019*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 164,121	\$ 24,364
Investments	25,642	0
Cash and Cash Equivalents in Segregated Accounts	0	20,192
<i>Total Assets</i>	\$ 189,763	\$ 44,556
 <b>Net Position</b>		
Held for Endowments	\$ 159,790	\$ 0
Held in Trust for Scholarships	29,973	0
Held for Employees	0	30,700
Held for Student Activities	0	13,856
<i>Total Net Position</i>	\$ 189,763	\$ 44,556

See accompanying notes to the basic financial statements.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Modified Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2019*

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	Scholarship
<b>Additions</b>	
Earnings on Investments	\$ 3,556
<b>Deductions</b>	
Scholarships	10,678
<i>Change in Net Position</i>	(7,122)
<i>Net Position Beginning of Year</i>	196,885
<i>Net Position End of Year</i>	\$ 189,763

See accompanying notes to the basic financial statements.

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**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*

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

Coldwater 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 is located in Mercer County. 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.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure 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 Coldwater 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. There are no component units of the School District.

The School District is associated with two jointly governed organizations, three insurance pools, and a joint venture. These organizations include the Northwest Ohio Area Computer Services Cooperative, Southwestern Ohio Educational Purchasing Council, Comp Management Workers’ Compensation Group Rating Plan, the Mercer-Auglaize Benefit Trust, Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, and the Tri-Star Career Compact. These organizations are presented in Notes 14, 15 and 16 of the financial statements.

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

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

***A. Basis of Accounting***

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District’s financial report to follow generally accepted accounting principles, the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

## **Coldwater Exempted Village School District**

### **Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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

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

#### ***B. Basis of Presentation - Fund Accounting***

##### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between disbursements and program receipts for each program or function of the School District's governmental activities. Disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

##### **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 to demonstrate legal compliance. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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

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



**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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

The funds of the financial reporting entity are described below.

Governmental Funds/Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

General Fund - The General Fund accounts for and reports 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 general laws of Ohio.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust funds and agency funds. The School District's private purpose trust funds account for endowments and scholarships for students. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and an employees' Section 125 reimbursement account.

***C. Budgetary Process***

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the object level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within all other Funds are made by the Treasurer. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*  
*(Continued)*

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**Tax Budget**

On March 17, 2009, the Mercer County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.

**Estimated Resources**

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

**Encumbrances**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**Lapsing of Appropriations**

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

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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***D. Cash and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through School District accounting records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.”

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

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

During fiscal year 2019, the School District invested in certificates of deposits and stock. The Cost basis of stock is presented as “Investments” on the financial statements.

The School District has a Section 125 Rotary account which is presented as “Cash and Cash Equivalents in Segregated Accounts” on the financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 were \$102,042, which includes \$26,901 assigned from other School District funds.

***E. Capital Assets***

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

***F. Accumulated Leave***

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

***G. Long-Term Debt***

Long-term debt arising from modified cash basis transactions of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid.

***H. Intergovernmental Receipts***

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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***I. Inventory and Prepaid Items***

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

***J. Interfund Receivables/Payables***

During the course of normal operations, the School District has transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/disbursements in the reimbursing fund and a reduction in expenditures/disbursement in the reimbursed fund.

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements.

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

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for employment health care benefits.

***L. Equity Classifications***

**GOVERNMENT-WIDE STATEMENTS**

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

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

Net position restricted for other purposes include resources restricted for food service operations, athletic programs, classroom facilities maintenance tax levy proceeds, and federal and state grants restricted to cash disbursement for specified purposes. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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FUND FINANCIAL STATEMENTS

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

1. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
2. 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.
3. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
4. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
5. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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***M. Pensions and Other Postemployment Benefits (OPEB)***

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

***N. Receipts and Disbursements***

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for service and operating grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

***O. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2019, the School District has (to the extent it applies to the modified cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands 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.

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*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*  
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Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and forty days, respectively, in an amount not to exceed 40 percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies;

## Coldwater Exempted Village School District

### Mercer County, Ohio

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2019

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

**Cash on Hand** - At June 30, 2019 the School District had \$2,150 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**Deposits** - At year-end, \$7,247,482 of the School District's bank balance of \$8,625,267 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or 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
- 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 required 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.

### **Investments**

Investments are reported at cost. As of June 30, 2019, the School District owned shares of Dominion stock that was donated at a value of \$25,642.

### **Interest Rate Risk**

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

### **Credit Risk**

The School District's investment at June 30, 2019, Dominion Resources, Inc. is rated BBB+ by S&P Global Ratings. The School District's investment policy does not address credit risk.



**Coldwater Exempted Village School District**  
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*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*  
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*Concentration of Credit Risk*

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. The Dominion stock is less than 1 percent of the School District's total portfolio.

**NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Mercer 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, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 167,705,220	98%	\$ 169,525,460	98%
Public Utility Personal Property	4,076,100	2%	4,035,010	2%
Total	\$ 171,781,320	100%	\$ 173,560,470	100%
Full Tax Rate per \$1,000 of assessed valuation	\$ 51.78		\$ 51.78	

**Coldwater Exempted Village School District**

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*Notes To The Basic Financial Statements*

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**NOTE 5 - PAYMENT IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all, or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2019 amounted to \$1,500.

**NOTE 6 - INCOME TAX**

The School District levies a voted tax of 0.50 percent for general operations on the income of residents and of estates. The income tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

**NOTE 7 - DEBT OBLIGATIONS**

Debt obligations of the School District at June 30, 2019 consisted of the following:

	<b>Principal Outstanding 6/30/18</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/19</b>	<b>Due Within One Year</b>
2012 Refunding Bonds	<u>\$ 5,745,889</u>	<u>\$ 0</u>	<u>\$ 100,889</u>	<u>\$ 5,645,000</u>	<u>\$ 415,000</u>

***2012 School Facilities Construction and Improvement Refunding Bonds:*** In April 2012, the School District issued \$6,774,996 in voted general obligation bonds for the purpose of refunding a portion of the 2002 Ohio School Facility Construction Project Bonds originally issued in the aggregate principal amount of \$9,499,996 for the purpose of school construction under the Classroom Facilities Assistance Plan. The refunding bond issue consists of \$6,395,000 in serial bonds and \$379,996 in capital appreciation bonds. The serial bonds have interest rates ranging from 1.00 to 3.10 percent. The serial bonds mature annually beginning December 1, 2012, and ending December 1, 2030. Capital appreciation bonds in the amount of \$379,996 will accrete interest at rates from 1.90 to 2.30 percent. The capital appreciation bonds matured December 1, 2016, 2017 and 2018 in the amounts of \$410,000 per year.

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$6,775,000 of the 2002 bond issue. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$617,260. The economic gain resulting from the refunding was \$621,572.

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Capital appreciation bonds are not subject to redemption prior to maturity. Interest on the capital appreciation bonds will accrue from the date of delivery until maturity. Interest will compound semiannually (interest accretion dates) but will be payable at maturity. The maturity amount of the bonds is \$1,230,000 in total. The accreted amount for fiscal year 2019 was \$34,495.

The School District had a line of credit of up to \$1,600,000 available, but did not draw on it in fiscal year 2019. The line of credit was terminated in December 2018.

The annual requirements to amortize all debt outstanding as of June 30, 2019 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>2012 Refunding Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2020	\$ 415,000	\$ 144,891	\$ 559,891
2021	420,000	136,541	556,541
2022	425,000	127,826	552,826
2023	440,000	118,250	558,250
2024	450,000	107,565	557,565
2025-2029	2,420,000	346,768	2,766,768
2030-2031	1,075,000	33,557	1,108,557
	<u>\$ 5,645,000</u>	<u>\$ 1,015,398</u>	<u>\$ 6,660,398</u>

**NOTE 8 - RISK MANAGEMENT**

***A. Property and Liability***

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2019, the School District carried property and general liability insurance and boiler and machinery insurance. Professional liability is protected by the Liberty Mutual Insurance Company with \$1,000,000 each occurrence, \$2,000,000 in annual aggregate limit. Umbrella liability coverage exists \$5,000,000 each occurrence, \$5,000,000 general aggregate limit. Errors & Omissions and Sexual Misconduct are insured at \$1,000,000 each occurrence, \$1,000,000 general aggregate limit.

Commercial property is covered by the Liberty Mutual Insurance Company. Commercial property is insured at a limit of \$61,935,959 (increased with new presentation of statement of values each Fall). Commercial auto insurance is covered by the Liberty Mutual Insurance Company. Automobile liability has a \$1,000,000 combined single limit of liability. There has been no significant reduction in insurance coverage from prior year, and no insurance settlement has exceeded insurance coverage during the past three years. Public officials' bond insurance is provided by Western Surety Company for a total of \$50,000. The Treasurer's bond insurance is provided by Westfield Insurance Company for a total of \$150,000.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

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***B. Health Care Benefits***

The School District participates in the Mercer-Auglaize Benefit Trust (MABT), a consortium risk sharing pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Effective January 1, 2019, the MABT, began participating in the Southwestern Ohio Educational Purchasing Council (EPC) Medical Benefit Plan, an insurance purchasing pool established in 1983. The EPC Medical Benefit Plan is a self-funded plan, and governed by a Trust agreement and Board of Trustees elected by participating districts. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program.

***C. Workers' Compensation***

The School District participates in the Comp Management Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

The School District’s contractually required contribution to SERS was \$229,647 for fiscal year 2019.

**Coldwater Exempted Village School District**  
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*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*  
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***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. From August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. 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 DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

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

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*(Continued)*

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,019,752 for fiscal year 2019.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04563210%	0.06130879%	
Prior Measurement Date	<u>0.04423000%</u>	<u>0.06097870%</u>	
Change in Proportionate Share	<u>0.00140210%</u>	<u>0.00033009%</u>	
Proportionate Share of the Net Pension Liability	\$ 2,613,435	\$ 13,480,426	\$ 16,093,861

***Actuarial Assumptions - SERS***

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

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

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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, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015, five-year experience study, is summarized as follows:

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



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**Discount Rate** 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 that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District'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	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 3,681,220	\$ 2,613,435	\$ 1,718,168

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

Post-retirement mortality rates are based on 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; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability	\$ 19,686,388	\$ 13,480,426	\$ 8,227,922

**NOTE 10 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Asset/Liability***

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.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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The net OPEB asset/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 asset/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.

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 asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*  
*(Continued)*

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 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 2019, the School District's surcharge obligation was \$23,111.

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 \$31,616 for fiscal year 2019.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Asset/Liability***

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.04640620%	0.06130879%	
Prior Measurement Date	<u>0.04485820%</u>	<u>0.06097870%</u>	
Change in Proportionate Share	<u>0.00154800%</u>	<u>0.00033009%</u>	
Proportionate Share of the Net			
OPEB Liability/(Asset)	\$ 1,287,433	\$ (985,000)	\$ 302,433

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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***Actuarial Assumptions - SERS***

SERS' total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, 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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 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.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

The long-term expected rate of return on plan 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 long-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.

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:

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 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 contribution rate of 2.00 percent of projected covered 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, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (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.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*  
(Continued)

***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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 1,562,199	\$ 1,287,433	\$ 1,069,870

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 1,038,723	\$ 1,287,433	\$ 1,616,771

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 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, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**Coldwater Exempted Village School District**

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*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** The discount rate used to measure the total OPEB asset/liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
	School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (844,383)	\$ (985,000)
	1% Decrease	Current Trend Rate	1% Increase
	School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,096,815)	\$ (985,000)



**Coldwater Exempted Village School District**  
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*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*  
*(Continued)*

**NOTE 11 - STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2019, the reserve activity was as follows:

	<u>Capital</u> <u>Improvements</u>	<u>Budget Stabilization</u> <u>BWC Refund</u>
Set Aside Reserve Balance June 30, 2018	\$ 0	\$ 30,977
Current Year Set Aside Requirement	240,785	0
Current Year Qualifying Expenditures	(288,685)	0
Current Year Offsets	(105,986)	0
Total	<u>(153,886)</u>	<u>\$ 30,977</u>
Balance Carried Forward to Fiscal Year 2020	<u>\$ 0</u>	<u>\$ 30,977</u>
Set Aside Reserve Balance June 30, 2019	<u>\$ 0</u>	

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-asides, this amount may not be used to reduce the set-aside requirement of future years. The Budget Stabilization – BWC Refund set-aside above represents the portion designated from workers compensation refunds. The Board has designated an additional \$143,000 for budget stabilization.

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**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

**NOTE 12 – FUND BALANCE**

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:				
Unclaimed Monies	\$ 1,244	\$ 0	\$ 0	\$ 1,244
Restricted for:				
Capital Outlay	0	0	3,384	3,384
Classroom Facilities Maintenance	0	0	609,389	609,389
Debt Service	0	1,047,053	0	1,047,053
Budget Stabilization - BWC Refund	30,977	0	0	30,977
Extracurricular Activities	0	0	111,182	111,182
Food Services	0	0	305,649	305,649
Other Purposes	0	0	101,872	101,872
Total Restricted	<u>30,977</u>	<u>1,047,053</u>	<u>1,131,476</u>	<u>2,209,506</u>
Committed to:				
Future Severance Payments	<u>53,222</u>	<u>0</u>	<u>0</u>	<u>53,222</u>
Assigned for:				
Instruction	85,544	0	0	85,544
Support Services	82,217	0	0	82,217
Capital Outlay	750	0	0	750
Extracurricular Activities	14,354	0	0	14,354
Subsequent Year Appropriations	740,884	0	0	740,884
Total Assigned	<u>923,749</u>	<u>0</u>	<u>0</u>	<u>923,749</u>
Unassigned	4,941,624	0	0	4,941,624
	<u>\$ 5,950,816</u>	<u>\$ 1,047,053</u>	<u>\$ 1,131,476</u>	<u>\$ 8,129,345</u>

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**Mercer County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2019*  
(Continued)

**NOTE 13 - INTERFUND ADVANCES**

During fiscal year 2019, the School District made advances between funds as follows:

	<u>Advances In</u>	<u>Advances Out</u>
<b>Major:</b>		
General Fund	\$ 13,043	\$ 10,909
<b>Other Governmental Fund:</b>		
Fifth Quarter Grant	10,909	13,043
Totals	\$ 23,952	\$ 23,952

The advance from the Other Governmental Fund to the General fund represents the repayment of a fiscal year 2018 advance. The General Fund provided an additional advance during fiscal year 2019 to cover general operations of the Fifth Quarter Grant Fund. This new advance was still outstanding at June 30, 2019.

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among fifty-four school districts. NOACSC, a Council of Governments 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. Each of the governments of these schools supports NOACSC based upon fee(s) charged dependent upon the software package utilized. The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Ray Burden, who serves as Executive Director, at 4277 East Road, Elida, Ohio 45807.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (EPC) is a purchasing council made up of 130 public school districts in southwestern Ohio. The purpose of the council is to coordinate the purchasing power of its member districts to obtain top quality products at the most competitive prices. The EPC is a Council of Governments governed by a constitution and an Executive Board elected by the membership. Each member district has an EPC representative. The EPC is funded by membership fees, interest earnings on reserves, and some special program fees.

**NOTE 15 - GROUP PURCHASING POOL**

**Comp Management Workers' Compensation Group Rating Plan** - The School District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through a joint relationship between OASBO and OSBA Workers' Compensation Group Rating Plan as a group insurance purchasing pool. Each year, the participating districts pay an enrollment fee to cover the costs of administering the program.

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*(Continued)*

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**Mercer-Auglaize Benefit Trust (MABT)** - The Mercer-Auglaize Benefit Trust, a consortium established to provide employee welfare benefits as described in Section 501(c)(9) of the Internal Revenue Code for the benefit of employees of the member public school districts of the Council. The consortium is a shared risk pool and was formed to carry out a cooperative program for the provisions and administration of health, prescription drug and dental benefits for member public school district employees in accordance with the MABT's constitution and bylaws. The MABT is governed by a group of trustees consisting of the superintendent of each member public school district or his/her designee. The MABT's membership consists of eleven local school districts and two educational service centers. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

**Southwestern Ohio Educational Purchasing Council (EPC) Medical Benefits Plan** – Effective January 1, 2019, the School District began participating in the Southwestern Ohio EPC Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**NOTE 16 – JOINT VENTURE**

The School District participates in the Tri-Star Career Compact, a joint venture with eight other school districts. The eight participating school districts comprise a “qualifying partnership” as defined by Ohio Revised Code Section 3318.71. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education.

The joint venture is served by an advisory council consisting of two representatives each from the St. Mary's City School District, the Celina City School District, and the Coldwater Exempted Village School District, three members representing the local school districts in Auglaize County (Minster, New Bremen, and New Knoxville), and three members representing the local school districts in Mercer County (Fort Recovery, Marion, and St. Henry). Members serve terms of two years. The advisory council serves at the discretion of the Boards of Education of the participating school districts and is not responsible to serve the electorate in any legal capacity.

In fiscal year 2016, the joint venture issued \$16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the “qualifying partnership”. The bonds have an interest rate ranging from 2 percent to 4.2 percent and mature in fiscal year 2032. The bonds will be repaid from the resources of a property tax levied by the qualifying partnership and the qualifying partnership is obligated to pay all debt service on the bonds. If the proceeds of the tax collection are less than anticipated in any particular year resulting in insufficient resources to pay the principal and interest requirements of the bonds, the school districts making up the partnership are obligated to make up the amount of any shortfall.

In addition, each participating school district is required to contribute a service fee and a reserve capital fee for each participating student from their school district and may also incur excess costs for operations of the Tri-Star Career Compact.

The joint venture has not currently accumulated significant financial resources nor is the joint venture experiencing fiscal stress that would cause an additional financial benefit to or burden on the participants; however, all participants have an ongoing financial responsibility as outlined above. Financial information may be obtained from the Celina City School District who serves as fiscal agent for the joint venture.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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**NOTE 17 – CONTINGENCIES AND COMMITMENTS**

***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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

***B. Litigation***

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

***C. School District Funding***

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. \$2,160 was owed to the Ohio Department of Education.

***D. Other Commitments***

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

<u>Fund</u>	<u>Amount</u>
General	\$ 169,711
Nonmajor Governmental	<u>102,634</u>
	<u>\$ 272,345</u>

**NOTE 18 – COMPLIANCE**

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2019, the School District prepared its financial report on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities and disclosures that, while material, cannot be determined at this time.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2019*

*(Continued)*

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**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in cash basis fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified cash basis are that:

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

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

Net Change in Fund Balance	
	<u>General</u>
Cash Basis	\$ (284,688)
Funds Budgeted Elsewhere**	96,469
Adjustment for Encumbrances	<u>(168,002)</u>
Budget Basis	<u><u>\$ (356,221)</u></u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the cash basis. This included the public support fund, rotary high school fund, termination benefits fund, and unclaimed monies fund.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

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

***Financial Highlights***

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position increased \$253,428, due to receipts continuing to outpace disbursements.
- Outstanding debt decreased from \$5,870,668 to \$5,745,889 through principal payments made during the current year.

***Using this Annual Report***

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

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

***Basis of Accounting***

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

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

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*  
*(Continued)*

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

*Statement of Net Position and the Statement of Activities*

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

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 56. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and the 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 cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

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



**Coldwater Exempted Village School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited  
(Continued)*

**The School District as a Whole**

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

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

	Governmental Activities	
	2018	2017
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 8,530,056	\$ 8,276,628
<i>Total Assets</i>	<i>\$ 8,530,056</i>	<i>\$ 8,276,628</i>
<b>Net Position</b>		
Restricted for:		
Debt Service	\$ 1,064,861	\$ 1,047,248
Capital Outlay	1,884	20,384
Classroom Facilities Maintenance	788,964	812,466
Set Asides	30,977	30,977
Other Purposes	439,675	351,592
Unrestricted	6,203,695	6,013,961
<i>Total Net Position</i>	<i>\$ 8,530,056</i>	<i>\$ 8,276,628</i>

Net position of the governmental activities increased \$253,428 which represents a 3 percent increase from fiscal year 2017. The increase in net position is the result of receipts continuing to outpace disbursements. Additionally, property tax receipts increased 4 percent, primarily due to a tax value reappraisal for tax year 2017, collected in calendar year 2018.

A portion of the School District's net position, \$2,326,361 or 27 percent represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$6,203,695 may be used to meet the School District's ongoing obligations.

**Coldwater Exempted Village School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018*

*Unaudited  
(Continued)*

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

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

	Governmental Activities	
	2018	2017
<b>Receipts</b>		
<b><i>Program Receipts</i></b>		
Charges for Services and Sales	\$ 2,150,495	\$ 2,000,475
Operating Grants, Contributions and Interest	1,023,741	1,000,883
<i>Total Program Receipts</i>	<u>3,174,236</u>	<u>3,001,358</u>
<b><i>General Receipts</i></b>		
Property Taxes	4,501,839	4,330,831
Income Taxes	877,974	862,411
Grants and Entitlements not Restricted to Specific Programs	7,392,569	7,376,710
Payments in Lieu of Taxes	1,500	1,500
Proceeds from Sale of Assets	14,532	1,065
Investment Earnings	67,616	34,913
Miscellaneous	108,133	171,140
<i>Total General Receipts</i>	<u>12,964,163</u>	<u>12,778,570</u>
<i>Total Receipts</i>	<u>16,138,399</u>	<u>15,779,928</u>
<b><i>Program Disbursements</i></b>		
Instruction:		
Regular	7,624,778	7,327,031
Special	2,002,924	1,880,272
Vocational	549,708	546,565
Support Services:		
Pupils	480,397	384,619
Instructional Staff	328,732	337,313
Board of Education	14,918	14,406
Administration	1,159,532	1,150,401
Fiscal	380,595	361,071
Operation and Maintenance of Plant	1,157,583	1,080,161
Pupil Transportation	340,325	405,222
Central	32,672	31,920
Operation of Non-Instructional Services:		
Food Service Operations	528,616	516,472
Extracurricular Activities	725,150	695,697
Capital Outlay	0	1,540
Debt Service:		
Principal Retirement	124,779	154,328
Interest and Fiscal Charges	434,262	404,713
<i>Total Program Disbursements</i>	<u>15,884,971</u>	<u>15,291,731</u>
<i>Change in Net Position</i>	253,428	488,197
<i>Net Position Beginning of Year</i>	<u>8,276,628</u>	<u>7,788,431</u>
<i>Net Position End of Year</i>	<u>\$ 8,530,056</u>	<u>\$ 8,276,628</u>

**Coldwater Exempted Village School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited  
(Continued)*

Several receipt sources fund the School District's governmental activities with unrestricted grants and entitlements being the largest contributor. Unrestricted grants and entitlements generated \$7.4 million in fiscal year 2018. General receipts from property and income taxes are also a large generator of \$5.4 million.

**Governmental Activities**

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

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

	Total Costs of Services		Net Costs of Services	
	2018	2017	2018	2017
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 7,624,778	\$ 7,327,031	\$ 6,445,554	\$ 6,183,184
Special	2,002,924	1,880,272	1,246,998	1,100,497
Vocational	549,708	546,565	454,873	462,187
Support Services:				
Pupils	480,397	384,619	480,397	384,619
Instructional Staff	328,732	337,313	323,332	331,913
Board of Education	14,918	14,406	14,918	14,406
Administration	1,159,532	1,150,401	1,074,175	1,061,444
Fiscal	380,595	361,071	380,595	361,071
Operation and Maintenance of Plant	1,157,583	1,080,161	1,150,804	1,073,426
Pupil Transportation	340,325	405,222	281,975	401,357
Central	32,672	31,920	32,672	31,920
Operation of Non-Instructional Services:				
Food Service Operations	528,616	516,472	(39,270)	(9,385)
Extracurricular Activities	725,150	695,697	304,671	333,153
Capital Outlay	0	1,540	0	1,540
Debt Service:				
Principal Retirement	124,779	154,328	124,779	154,328
Interest and Fiscal Charges	434,262	404,713	434,262	404,713
<b><i>Total</i></b>	<b><u>\$ 15,884,971</u></b>	<b><u>\$ 15,291,731</u></b>	<b><u>\$ 12,710,735</u></b>	<b><u>\$ 12,290,373</u></b>

The dependence upon tax revenues and general revenue entitlements from the State for governmental activities is apparent. Program revenues only account for 20 percent of all governmental expenses. The community is the largest area of support for the School District students.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*  
*(Continued)*

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

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

The School District's governmental funds reported a combined fund balance of \$8,530,056, which is higher than the prior year balance of \$8,276,628.

The General Fund's fund balance increased \$220,711 in fiscal year 2018. The increase in fund balance is the result of receipts continuing to outpace disbursements, and an increase in property tax receipts as a result of a tax reappraisal.

The Debt Service Fund balance increased \$17,613 in fiscal year 2018. The increase in fund balance can be attributed to a timing difference between tax receipts and debt payments.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2018, the School District amended its general fund budget. For the general fund, final budget basis receipts were \$13,788,676, excluding other financing sources, representing an increase of \$163,912 from the original estimate of \$13,624,764. Actual receipts of \$13,946,050, excluding other financing sources, were \$157,374 more than the final budget, primarily due to property tax receipts being more than anticipated.

For fiscal year 2018, the general fund final budget basis disbursements were \$13,981,210, excluding other financing uses, which is slightly more than the original budgeted disbursements of \$13,769,317. Actual disbursements of \$13,810,749, excluding other financing uses, were \$170,461 lower than the final budget. The School District was able to keep costs lower than budgeted for and within receipts received.

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

***Debt Administration***

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

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

	Governmental Activities	
	2018	2017
2012 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	\$ 5,745,889	\$ 5,870,668

For further information regarding the School District's debt, refer to Note 7 of the basic financial statements.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*

*Unaudited*  
*(Continued)*

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***Current Issues***

There are several large factors that greatly impact the School District's financial stability: 1) the State's educational funding, which is hard to determine and dependent upon the legislators, 2) health insurance costs, and 3) the local economy.

The School District has not anticipated or received in several years any meaningful growth in State receipts. Each biennial budget brings with it a new set of concerns, as public K-12 is impacted by the State's budget adoption. The main concern is whether or not the funding formula is going to change, and if so, how will it impact the School District's state funding. Additionally, the School District's federal grant funds have been reduced significantly during the past few years as well.

Fortunately, the School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The community renewed a 10 year \$550,000 emergency operating levy in March 2016.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later, the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, School District's dependence upon property taxes is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

The School District has also been affected by income instability and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that every attempt is made not to seek additional operating levies. This has been made increasingly difficult with mandates in gifted education, special education services required for our students, and significant increases in health and liability insurance and utility costs.

There are major events occurring worldwide that affect our local School District operations: federal spending being redirected (due to security issues and other defense needs), changes in law affecting agriculture (since Mercer County is the top agricultural county in the state), and uncertainties at the federal and global levels. The economic impact from any or all of these would cause a reduction or loss of state and/or federal subsidies. Businesses such as Valco, Coldwater Implement, Kenn-Feld Group, Lefeld Welding, Helena Chemical, Mercer Landmark, and other county agricultural groups would certainly feel the fallout from decisions affecting agriculture, which in turn would affect local employment. In addition, the high cost of fuel has directly affected not only transportation cost but also other purchases. Vendors recouping their own manufacturing and transportation costs increases the price of merchandise sold to schools. In summary, management must consider what is happening in the economy and the impact it has on the price of goods and services.

**Coldwater Exempted Village School District  
Mercer County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited  
(Continued)*

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Management is utilizing the curriculum and academic programs to drive the budgetary process. This requires additional time by staff and building administrators to be spent on evaluating wants and needs while reviewing expenses then consider of reallocation of appropriation to the desired programs. This is a commitment that must be made by all staff, but is beneficial to the entire School District.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to 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 Jenn McCoy, Treasurer of Coldwater Exempted Village School District, 310 North Second Street, Coldwater, OH 45828.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
*June 30, 2018*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,530,056
<i>Total Assets</i>	<i>\$ 8,530,056</i>
<b>Net Position</b>	
Restricted for:	
Debt Service	\$ 1,064,861
Capital Outlay	1,884
Classroom Facilities Maintenance	788,964
Set Asides	30,977
Other Purposes	439,675
Unrestricted	6,203,695
<i>Total Net Position</i>	<i>\$ 8,530,056</i>

See accompanying notes to the basic financial statements.

**Coldwater Exempted Village School District  
Mercer County, Ohio**

*Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2018*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 7,624,778	\$ 1,078,807	\$ 100,417	\$ (6,445,554)
Special	2,002,924	217,946	537,980	(1,246,998)
Vocational	549,708	0	94,835	(454,873)
Support Services:				
Pupils	480,397	0	0	(480,397)
Instructional Staff	328,732	0	5,400	(323,332)
Board of Education	14,918	0	0	(14,918)
Administration	1,159,532	0	85,357	(1,074,175)
Fiscal	380,595	0	0	(380,595)
Operation and Maintenance of Plant	1,157,583	0	6,779	(1,150,804)
Pupil Transportation	340,325	54,572	3,778	(281,975)
Central	32,672	0	0	(32,672)
Operation of Non-Instructional Services:				
Food Service Operations	528,616	398,440	169,446	39,270
Extracurricular Activities	725,150	400,730	19,749	(304,671)
Debt Service:				
Principal Retirement	124,779	0	0	(124,779)
Interest and Fiscal Charges	434,262	0	0	(434,262)
<b>Totals</b>	<b>\$ 15,884,971</b>	<b>\$ 2,150,495</b>	<b>\$ 1,023,741</b>	<b>(12,710,735)</b>

**General Receipts**

Property Taxes Levied for:	
General Purposes	3,941,311
Debt Service	495,101
Building Maintenance	65,427
Income Taxes Levied for:	
General Purposes	877,974
Grants and Entitlements not Restricted to Specific Programs	7,392,569
Payments in Lieu of Taxes	1,500
Proceeds from Sale of Assets	14,532
Investment Earnings	67,616
Miscellaneous	108,133
<b>Total General Receipts</b>	<b>12,964,163</b>
<b>Change in Net Position</b>	<b>253,428</b>
<b>Net Position Beginning of Year</b>	<b>8,276,628</b>
<b>Net Position End of Year</b>	<b>\$ 8,530,056</b>

See accompanying notes to the basic financial statements.



**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*June 30, 2018*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 6,235,504	\$ 1,064,861	\$ 1,229,691	\$ 8,530,056
<i>Total Assets</i>	<u>\$ 6,235,504</u>	<u>\$ 1,064,861</u>	<u>\$ 1,229,691</u>	<u>\$ 8,530,056</u>
<b>Fund Balances</b>				
Nonspendable	\$ 832	\$ 0	\$ 0	\$ 832
Restricted	30,977	1,064,861	1,229,691	2,325,529
Committed	134,272	0	0	134,272
Assigned	228,644	0	0	228,644
Unassigned	5,840,779	0	0	5,840,779
<i>Total Fund Balances</i>	<u>\$ 6,235,504</u>	<u>\$ 1,064,861</u>	<u>\$ 1,229,691</u>	<u>\$ 8,530,056</u>

See accompanying notes to the basic financial statements.

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 3,941,310	\$ 495,100	\$ 65,427	\$ 4,501,837
Income Taxes	877,974	0	0	877,974
Intergovernmental	7,686,984	93,084	602,828	8,382,896
Investment Income	67,616	0	2,003	69,619
Tuition and Fees	1,342,525	0	0	1,342,525
Rent	2,696	0	0	2,696
Extracurricular Activities	105,126	0	295,467	400,593
Gifts and Donations	6,418	0	24,994	31,412
Customer Sales and Services	6,242	0	398,440	404,682
Payments in Lieu of Taxes	0	0	1,500	1,500
Miscellaneous	76,518	0	31,615	108,133
<i>Total Receipts</i>	<u>14,113,409</u>	<u>588,184</u>	<u>1,422,274</u>	<u>16,123,867</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	7,520,296	0	104,482	7,624,778
Special	1,816,635	0	186,289	2,002,924
Vocational	535,176	0	14,532	549,708
Support Services:				
Pupils	480,397	0	0	480,397
Instructional Staff	323,332	0	5,400	328,732
Board of Education	14,918	0	0	14,918
Administration	1,062,775	0	96,757	1,159,532
Fiscal	367,883	11,530	1,182	380,595
Operation and Maintenance of Plant	967,981	0	189,602	1,157,583
Pupil Transportation	340,325	0	0	340,325
Central	32,672	0	0	32,672
Extracurricular Activities	440,384	0	284,766	725,150
Operation of Non-Instructional Services:				
Food Service Operations	0	0	528,616	528,616
Debt Service:				
Principal Retirement	0	124,779	0	124,779
Interest and Fiscal Charges	0	434,262	0	434,262
<i>Total Disbursements</i>	<u>13,902,774</u>	<u>570,571</u>	<u>1,411,626</u>	<u>15,884,971</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>210,635</u>	<u>17,613</u>	<u>10,648</u>	<u>238,896</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	10,532	0	4,000	14,532
Advances In	12,587	0	13,043	25,630
Advances Out	(13,043)	0	(12,587)	(25,630)
<i>Total Other Financing Sources (Uses)</i>	<u>10,076</u>	<u>0</u>	<u>4,456</u>	<u>14,532</u>
<i>Net Change in Fund Balances</i>	220,711	17,613	15,104	253,428
<i>Fund Balances Beginning of Year</i>	<u>6,014,793</u>	<u>1,047,248</u>	<u>1,214,587</u>	<u>8,276,628</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,235,504</u>	<u>\$ 1,064,861</u>	<u>\$ 1,229,691</u>	<u>\$ 8,530,056</u>

See accompanying notes to the basic financial statements.

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Property and Other Local Taxes	\$ 3,796,899	\$ 3,796,899	\$ 3,941,310	\$ 144,411
Income Tax	892,595	892,595	877,974	(14,621)
Intergovernmental	7,716,210	7,716,210	7,686,984	(29,226)
Interest	33,200	61,200	67,616	6,416
Tuition and Fees	1,167,160	1,289,672	1,341,745	52,073
Rent	4,800	2,800	2,696	(104)
Customer Sales and Services	1,100	6,500	6,242	(258)
Miscellaneous	12,800	22,800	21,483	(1,317)
<i>Total Receipts</i>	<u>13,624,764</u>	<u>13,788,676</u>	<u>13,946,050</u>	<u>157,374</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	7,285,802	7,499,536	7,468,441	31,095
Special	1,709,461	1,840,402	1,799,080	41,322
Vocational	527,928	562,030	537,529	24,501
Support Services:				
Pupils	493,543	485,411	480,441	4,970
Instructional Staff	344,500	337,771	332,619	5,152
Board of Education	13,659	15,223	14,918	305
Administration	1,090,940	1,070,766	1,060,229	10,537
Fiscal	466,287	386,087	377,974	8,113
Operation and Maintenance of Plant	1,015,801	1,037,154	1,020,005	17,149
Pupil Transportation	425,204	350,676	346,350	4,326
Central	33,041	33,041	32,672	369
Extracurricular Activities	362,351	362,313	339,716	22,597
Capital Outlay	800	800	775	25
<i>Total Disbursements</i>	<u>13,769,317</u>	<u>13,981,210</u>	<u>13,810,749</u>	<u>170,461</u>
<i>Excess of Revenues Over (Under) Disbursements</i>	<u>(144,553)</u>	<u>(192,534)</u>	<u>135,301</u>	<u>327,835</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	12,587	12,587	12,587	0
Proceeds from Sale of Assets	0	0	10,532	10,532
Refund of Prior Year Expenditures	0	0	4,376	4,376
Refund of Prior Year Receipts	0	(7)	(7)	0
Transfers Out	0	(30,000)	(30,000)	0
Advances Out	0	(13,043)	(13,043)	0
<i>Total Other Financing Sources (Uses)</i>	<u>12,587</u>	<u>(30,463)</u>	<u>(15,555)</u>	<u>14,908</u>
<i>Net Change in Fund Balance</i>	<u>(131,966)</u>	<u>(222,997)</u>	<u>119,746</u>	<u>342,743</u>
<i>Fund Balance Beginning of Year</i>	<u>5,641,645</u>	<u>5,641,645</u>	<u>5,641,645</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>160,087</u>	<u>160,087</u>	<u>160,087</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 5,669,766</u>	<u>\$ 5,578,735</u>	<u>\$ 5,921,478</u>	<u>\$ 342,743</u>

See accompanying notes to the basic financial statements.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2018*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 171,243	\$ 22,576
Investments	25,642	0
Cash and Cash Equivalents in Segregated Accounts	0	17,902
<i>Total Assets</i>	\$ 196,885	\$ 40,478
 <b>Net Position</b>		
Held for Endowments	\$ 159,790	\$ 0
Held in Trust for Scholarships	37,095	0
Held for Employees	0	27,913
Held for Student Activities	0	12,565
<i>Total Net Position</i>	\$ 196,885	\$ 40,478

See accompanying notes to the basic financial statements.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Modified Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2018*

	Scholarship
<b>Additions</b>	
Earnings on Investments	\$ 3,460
<b>Deductions</b>	
Scholarships	9,753
<i>Change in Net Position</i>	(6,293)
<i>Net Position Beginning of Year</i>	203,178
<i>Net Position End of Year</i>	\$ 196,885

See accompanying notes to the basic financial statements.

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**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*

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

Coldwater 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 is located in Mercer County. 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.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure 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 Coldwater 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. There are no component units of the School District.

The School District is associated with two jointly governed organizations, two insurance pools, and a joint venture. These organizations include the Northwest Ohio Area Computer Services Cooperative, Southwestern Ohio Educational Purchasing Council, Comp Management Workers’ Compensation Group Rating Plan, the Mercer-Auglaize Benefit Trust (formerly the Mercer-Auglaize Area Schools Regional Council of Governments) and the Tri-Star Career Compact. These organizations are presented in Notes 14, 15 and 16 of the financial statements.

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

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

***A. Basis of Accounting***

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District’s financial report to follow generally accepted accounting principles, the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

## Coldwater Exempted Village School District

### Mercer County, Ohio

Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2018

(Continued)

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

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

#### ***B. Basis of Presentation - Fund Accounting***

##### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between disbursements and program receipts for each program or function of the School District's governmental activities. Disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

##### 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 to demonstrate legal compliance. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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

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



**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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

The funds of the financial reporting entity are described below.

Governmental Funds/Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

General Fund - The General Fund accounts for and reports 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 general laws of Ohio.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust funds and agency funds. The School District's private purpose trust funds account for endowments and scholarships for students. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and an employees' Section 125 reimbursement account.

***C. Budgetary Process***

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the object level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within all other Funds are made by the Treasurer. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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**Tax Budget**

On March 17, 2009, the Mercer County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.

**Estimated Resources**

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

**Encumbrances**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**Lapsing of Appropriations**

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

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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***D. Cash and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through School District accounting records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.”

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

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

During fiscal year 2018, the School District invested in certificates of deposits and stock. The Cost basis of stock is presented as “Investments” on the financial statements.

The School District has a Section 125 Rotary account which is presented as “Cash and Cash Equivalents in Segregated Accounts” on the financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2018 were \$67,616, which includes \$18,621 assigned from other School District funds.

***E. Capital Assets***

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

***F. Accumulated Leave***

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

***G. Long-Term Debt***

Long-term debt arising from modified cash basis transactions of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid.

***H. Intergovernmental Receipts***

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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***I. Inventory and Prepaid Items***

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

***J. Interfund Receivables/Payables***

During the course of normal operations, the School District has transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/disbursements in the reimbursing fund and a reduction in expenditures/disbursement in the reimbursed fund.

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements.

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

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for employment health care benefits.

***L. Equity Classifications***

**GOVERNMENT-WIDE STATEMENTS**

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

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

Net position restricted for other purposes include resources restricted for food service operations, athletic programs, classroom facilities maintenance tax levy proceeds, and federal and state grants restricted to cash disbursement for specified purposes. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**FUND FINANCIAL STATEMENTS**

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

## **Coldwater Exempted Village School District**

### **Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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1. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
2. 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.
3. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
4. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
5. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

#### ***M. Pensions and Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability, 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 respective retirement plans. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. The retirement plans report investments at fair value.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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***N. Receipts and Disbursements***

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for service and operating grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

***O. Implementation of New Accounting Policies***

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

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. See Note 10 for further information.

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

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

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

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 40 percent of the interim moneys available for investment at any one time;
  8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies;

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

**Cash on Hand** - At June 30, 2018 the School District had \$2,150 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**Deposits** - At year-end, \$7,772,993 of the School District's bank balance of \$8,872,647 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or 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
- 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 required 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.

**Investments**

Investments are reported at cost. As of June 30, 2018, the School District owned shares of Dominion stock that was donated at a value of \$25,642.



**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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*Interest Rate Risk*

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

*Credit Risk*

The School District's investment at June 30, 2018, Dominion Resources, Inc. is rated BBB+ by S&P Global Ratings. The School District's investment policy does not address credit risk.

*Concentration of Credit Risk*

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. The Dominion stock is less than 1 percent of the School District's total portfolio.

**NOTE 4 - PROPERTY TAXES**

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

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

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

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

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

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 159,901,880	98%	\$ 167,705,220	98%
Public Utility Personal Property	3,847,500	2%	4,076,100	2%
Total	<u>\$ 163,749,380</u>	<u>100%</u>	<u>\$ 171,781,320</u>	<u>100%</u>
Full Tax Rate per \$1,000 of assessed valuation	<u>\$ 52.48</u>		<u>\$ 51.78</u>	

**NOTE 5 - PAYMENT IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all, or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2018 amounted to \$1,500.

**NOTE 6 - INCOME TAX**

The School District levies a voted tax of 0.50 percent for general operations on the income of residents and of estates. The income tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

**NOTE 7 - DEBT OBLIGATIONS**

Debt obligations of the School District at June 30, 2018 consisted of the following:

	<u>Principal Outstanding 6/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/18</u>	<u>Due Within One Year</u>
2012 Refunding Bonds	<u>\$ 5,870,668</u>	<u>\$ 0</u>	<u>\$ 124,779</u>	<u>\$ 5,745,889</u>	<u>\$ 100,889</u>

***2012 School Facilities Construction and Improvement Refunding Bonds:*** In April 2012, the School District issued \$6,774,996 in voted general obligation bonds for the purpose of refunding a portion of the 2002 Ohio School Facility Construction Project Bonds originally issued in the aggregate principal amount of \$9,499,996 for the purpose of school construction under the Classroom Facilities Assistance Plan. The refunding bond issue consists of \$6,395,000 in serial bonds and \$379,996 in capital appreciation bonds. The serial bonds have interest rates ranging from 1.00 to 3.10 percent. The serial bonds mature annually beginning December 1, 2012, and ending December 1, 2030. Capital appreciation bonds in the amount of \$379,996 will accrete interest at rates from 1.90 to 2.30 percent. The capital appreciation bonds mature December 1, 2016, 2017 and 2018 in the amounts of \$410,000 per year.

**Coldwater Exempted Village School District  
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*Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2018  
(Continued)*

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$6,775,000 of the 2002 bond issue. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$617,260. The economic gain resulting from the refunding was \$621,572.

Capital appreciation bonds are not subject to redemption prior to maturity. Interest on the capital appreciation bonds will accrue from the date of delivery until maturity. Interest will compound semiannually (interest accretion dates) but will be payable at maturity. The maturity amount of the bonds is \$1,230,000 in total. The accreted amount for fiscal year 2018 was \$106,501.

The School District has a line of credit of up to \$1,600,000 available and has until September 28, 2018 to draw on it. The School District did not draw on it in fiscal year 2018.

The annual requirements to amortize all debt outstanding as of June 30, 2018 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>2012 Refunding Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2019	\$ 100,889	\$ 458,153	\$ 559,042
2020	415,000	144,891	559,891
2021	420,000	136,542	556,542
2022	425,000	127,826	552,826
2023	440,000	118,250	558,250
2024-2028	2,360,000	413,357	2,773,357
2029-2031	1,585,000	74,532	1,659,532
	<u>\$ 5,745,889</u>	<u>\$ 1,473,551</u>	<u>\$ 7,219,440</u>

**NOTE 8 - RISK MANAGEMENT**

***A. Property and Liability***

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2018, the School District carried property and general liability insurance and boiler and machinery insurance. Professional liability is protected by the Liberty Mutual Insurance Company with \$1,000,000 each occurrence, \$2,000,000 in annual aggregate limit. Umbrella liability coverage exists \$5,000,000 each occurrence, \$5,000,000 general aggregate limit. Errors & Omissions and Sexual Misconduct are insured at \$1,000,000 each occurrence, \$1,000,000 general aggregate limit.

Commercial property is covered by the Liberty Mutual Insurance Company. Commercial property is insured at a limit of \$56,628,259 (increased with new presentation of statement of values each Fall). Commercial auto insurance is covered by the Liberty Mutual Insurance Company. Automobile liability has a \$1,000,000 combined single limit of liability. There has been no significant reduction in insurance coverage from prior year, and no insurance settlement has exceeded insurance coverage during the past three years. Public officials' bond insurance is provided by Western Surety Company for a total of \$50,000. The Treasurer's bond insurance is provided by Westfield Insurance Company for a total of \$150,000.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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***B. Health Care Benefits***

The School District participates in the Mercer-Auglaize Benefit Trust, a consortium risk sharing pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

***C. Workers' Compensation***

The School District participates in the Comp Management Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

**Coldwater Exempted Village School District  
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*Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2018  
(Continued)*

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District’s contractually required contribution to SERS was \$222,958 for fiscal year 2018.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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***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 August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,011,592 for fiscal year 2018.

***Net Pension Liability***

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04423000%	0.06097870%	
Prior Measurement Date	<u>0.04507550%</u>	<u>0.06035853%</u>	
Change in Proportionate Share	<u>-0.00084550%</u>	<u>0.00062017%</u>	
Proportionate Share of the Net Pension Liability	\$ 2,642,645	\$ 14,485,621	\$ 17,128,266

***Actuarial Assumptions - SERS***

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

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

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

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*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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

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

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

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

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

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



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*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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

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

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 3,667,304	\$ 2,642,645	\$ 1,784,284

**Actuarial Assumptions - STRS**

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

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

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

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

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

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*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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

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

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

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

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 20,764,645	\$ 14,485,621	\$ 9,196,485

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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

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

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

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

**NOTE 10 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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

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

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

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

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.

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
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***Plan Description - School Employees Retirement System (SERS)***

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$22,438.

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 \$30,696 for fiscal year 2018.

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

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

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
*(Continued)*

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

***Net OPEB Liability***

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$ 1,203,876	\$ 2,379,164	\$ 3,583,040
Proportion of the Net OPEB Liability	0.04485820%	0.06097870%	

***Actuarial Assumptions - SERS***

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

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

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

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

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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

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

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

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

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

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

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	\$ 1,453,834	\$ 1,203,876	\$ 1,005,846

  

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 976,855	\$ 1,203,876	\$ 1,504,342

**Actuarial Assumptions - STRS**

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

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

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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

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

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

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

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

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

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

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



**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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

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

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

	<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	\$ 3,193,989	\$ 2,379,164	\$ 1,735,185
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 1,652,941	\$ 2,379,164	\$ 3,334,958

**Coldwater Exempted Village School District**  
**Mercer County, Ohio**

*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2018*  
(Continued)

**NOTE 11 - STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2018, the reserve activity was as follows:

	<u>Capital Improvements</u>	<u>Budget Stabilization BWC Refund</u>
Set Aside Reserve Balance June 30, 2017	\$ 0	\$ 30,977
Current Year Set Aside Requirement	239,666	0
Current Year Qualifying Expenditures	(370,310)	0
Current Year Offsets	(119,185)	0
Total	<u>\$ (249,829)</u>	<u>\$ 30,977</u>
Balance Carried Forward to Fiscal Year 2019	<u>\$ 0</u>	<u>\$ 30,977</u>
Set Aside Reserve Balance June 30, 2018	<u>\$ 0</u>	

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-asides, this amount may not be used to reduce the set-aside requirement of future years. The Budget Stabilization – BWC Refund set-aside above represents the portion designated from workers compensation refunds. The Board has designated an additional \$143,000 for budget stabilization.

**NOTE 12 - INTERFUND ADVANCES**

During fiscal year 2018, the School District made advances between funds as follows:

	<u>Advances In</u>	<u>Advances Out</u>
<b>Major:</b>		
General Fund	\$ 12,587	\$ 13,043
<b>Other Governmental Fund:</b>		
Fifth Quarter Grant	13,043	12,587
Totals	<u>\$ 25,630</u>	<u>\$ 25,630</u>

The advance from the Other Governmental Fund to the General fund represents the repayment of a fiscal year 2017 advance. The General Fund provided an additional advance during fiscal year 2018 to cover general operations of the Fifth Quarter Grant Fund. This new advance was still outstanding at June 30, 2018.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

**NOTE 13 – FUND BALANCE**

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:				
Unclaimed Monies	\$ 832	\$ 0	\$ 0	\$ 832
Restricted for:				
Capital Outlay	0	0	1,884	1,884
Classroom Facilities Maintenance	0	0	788,964	788,964
Debt Service	0	1,064,861	0	1,064,861
Budget Stabilization - BWC Refund	30,977	0	0	30,977
Extracurricular Activities	0	0	91,733	91,733
Food Services	0	0	285,684	285,684
Other Purposes	0	0	61,426	61,426
Total Restricted	<u>30,977</u>	<u>1,064,861</u>	<u>1,229,691</u>	<u>2,325,529</u>
Committed to:				
Future Severance Payments	<u>134,272</u>	<u>0</u>	<u>0</u>	<u>134,272</u>
Assigned for:				
Instruction	38,695	0	0	38,695
Support Services	80,599	0	0	80,599
Capital Outlay	775	0	0	775
Extracurricular Activities	32,471	0	0	32,471
Subsequent Year Appropriations	<u>76,104</u>	<u>0</u>	<u>0</u>	<u>76,104</u>
Total Assigned	<u>228,644</u>	<u>0</u>	<u>0</u>	<u>228,644</u>
Unassigned	<u>5,840,779</u>	<u>0</u>	<u>0</u>	<u>5,840,779</u>
	<u>\$ 6,235,504</u>	<u>\$ 1,064,861</u>	<u>\$ 1,229,691</u>	<u>\$ 8,530,056</u>

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among fifty-five school districts. NOACSC, a Council of Governments 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. Each of the governments of these schools supports NOACSC based upon fee(s) charged dependent upon the software package utilized. The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Ray Burden, who serves as Executive Director, at 4277 East Road, Elida, Ohio 45807.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (EPC) is a purchasing council made up of 130 public school districts in southwestern Ohio. The purpose of the council is to coordinate the purchasing power of its member districts to obtain top quality products at the most competitive prices. The EPC is a Council of Governments governed by a constitution and an Executive Board elected by the membership. Each member district has an EPC representative. The EPC is funded by membership fees, interest earnings on reserves, and some special program fees.

**NOTE 15 - GROUP PURCHASING POOLS**

**Comp Management Workers' Compensation Group Rating Plan** - The School District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through a joint relationship between OASBO and OSBA Workers' Compensation Group Rating Plan as a group insurance purchasing pool. Each year, the participating districts pay an enrollment fee to cover the costs of administering the program.

**Mercer-Auglaize Area Schools Regional Council of Governments** -The School District was a participant of the Mercer-Auglaize Area Schools Regional Council of Governments (the "Council") during fiscal year 2018, until its dissolution in April 2018. The Council was reorganized as the Mercer-Auglaize Employee Benefit Trust. The Council was a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Council was organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provided medical, prescription drug, and dental benefits to the employees of the participants. New member public school districts may be admitted with a two-thirds vote of the Board. Withdrawing members deposited or accounted for terminal liabilities as provided for in the Master Plan adopted by the Council, trust agreement and/or minimum premium insurance contract. A withdrawing member district forfeited any right to monies held in the trust reserve fund. Any member public school district could withdraw from the Council by providing all other members and the insurance provider or third party administrator written notice of his intent. Said withdrawal was allowed only upon expiration of the insurance contract rating period and was to be effective ninety days after said written notice was received by the acting Board Chairman and the provider. Financial information can be obtained from Steven Dandurand, Corporate One Benefits, Suite 200, Fostoria, Ohio 44830.

## **Coldwater Exempted Village School District**

### **Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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**Mercer-Auglaize Benefit Trust (MABT)** - The Mercer-Auglaize Benefit Trust, a consortium established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code. The MABT was established to provide employee welfare benefits as described in Section 501(c)(9) of the Internal Revenue Code for the benefit of employees of the member public school districts of the Council. The consortium is a shared risk pool as defined by Government Accounting Standards Board (GASB) Statement No. 10 as amended by GASB Statement No. 30. It was formed to carry out a cooperative program for the provisions and administration of health, prescription drug and dental benefits for member public school district employees in accordance with the MABT's constitution and bylaws.

The MABT is governed by a group of trustees consisting of the superintendent of each member public school district or his/her designee. The trustees are authorized to enter into agreements as deemed necessary to provide welfare benefit plans to the member public school districts. The MABT's membership consists of eleven local school districts and two educational service centers. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

#### **NOTE 16 – JOINT VENTURE**

The School District participates in the Tri-Star Career Compact, a joint venture with eight other school districts. The eight participating school districts comprise a "qualifying partnership" as defined by Ohio Revised Code Section 3318.71. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education.

The joint venture is served by an advisory council consisting of two representatives each from the St. Mary's City School District, the Celina City School District, and the Coldwater Exempted Village School District, three members representing the local school districts in Auglaize County (Minster, New Bremen, and New Knoxville), and three members representing the local school districts in Mercer County (Fort Recovery, Marion, and St. Henry). Members serve terms of two years. The advisory council serves at the discretion of the Boards of Education of the participating school districts and is not responsible to serve the electorate in any legal capacity.

In fiscal year 2016, the joint venture issued \$16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the "qualifying partnership". The bonds have an interest rate ranging from 2 percent to 4.2 percent and mature in fiscal year 2032. The bonds will be repaid from the resources of a property tax levied by the qualifying partnership and the qualifying partnership is obligated to pay all debt service on the bonds. If the proceeds of the tax collection are less than anticipated in any particular year resulting in insufficient resources to pay the principal and interest requirements of the bonds, the school districts making up the partnership are obligated to make up the amount of any shortfall.

In addition, each participating school district is required to contribute a service fee and a reserve capital fee for each participating student from their school district and may also incur excess costs for operations of the Tri-Star Career Compact.

The joint venture has not currently accumulated significant financial resources nor is the joint venture experiencing fiscal stress that would cause an additional financial benefit to or burden on the participants; however, all participants have an ongoing financial responsibility as outlined above. Financial information may be obtained from the Celina City School District who serves as fiscal agent for the joint venture.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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**NOTE 17 – CONTINGENCIES AND COMMITMENTS**

***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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

***B. Litigation***

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

***C. School District Funding***

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. No money was due to the Ohio Department of Education or owed to the School District.

***D. Other Commitments***

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

<u>Fund</u>	<u>Amount</u>
General	\$ 121,269
Nonmajor Governmental	<u>106,677</u>
	<u>\$ 227,946</u>

**NOTE 18 – COMPLIANCE**

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2018, the School District prepared its financial report on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities and disclosures that, while material, cannot be determined at this time.

**Coldwater Exempted Village School District**

**Mercer County, Ohio**

*Notes To The Basic Financial Statements*

*For The Fiscal Year Ended June 30, 2018*

*(Continued)*

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**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in cash basis fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified cash basis are that:

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

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

Net Change in Fund Balance	
	<u>General</u>
Cash Basis	\$ 220,711
Funds Budgeted Elsewhere**	19,065
Adjustment for Encumbrances	<u>(120,030)</u>
Budget Basis	<u>\$ 119,746</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the cash basis. This included the public support fund, rotary high school fund, termination benefits fund, and unclaimed monies fund.

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# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

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

Coldwater Exempted Village School District  
Mercer County  
310 North Second Street  
Coldwater, Ohio 45828

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coldwater Exempted Village School District, Mercer County, (the School District) as of and for the fiscal years ended June 30, 2019 and 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 February 5, 2020, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

***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

February 5, 2020

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Noncompliance**

**Ohio Rev. Code § 117.38(A)** provides that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District’s ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

**Official’s Response:**

We did not receive a response from Officials to this finding.



# Coldwater Exempted Village Schools

310 North Second Street

COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2019 AND 2018

Finding Number	Finding Summary	Fully Corrected?	Additional Information
2017-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failure to prepare financial statements in accordance with GAAP.	No	Not Corrected

# OHIO AUDITOR OF STATE KEITH FABER



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT**

**MERCER 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 19, 2020**