



Dave Yost • Auditor of State

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
 WYANDOT COUNTY
 JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2017

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The management's discussion and analysis of the Carey Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- The total net cash position of the District decreased \$17,887,847 from fiscal year 2015.
- General cash receipts accounted for \$10,903,321 or 85.00% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,924,790 or 15.00% of total governmental activities cash receipts.
- The District had \$30,715,958 in cash disbursements related to governmental activities; \$1,924,790 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$10,903,321 were not adequate to provide for these programs.
- The District's three major funds are the general fund, the permanent improvement fund and the classroom facilities fund. The general fund had cash receipts of \$9,687,645 in 2016. The cash disbursements and other financing uses of the general fund, totaled \$9,882,611 in 2016. The general fund's cash balance decreased \$194,966 from 2015 to 2016.
- The permanent improvement fund had cash receipts and other financing sources of \$2,188,997 in 2016. The cash disbursements of the permanent improvement fund, totaled \$1,156,288 in 2016. The permanent improvement fund cash balance increased \$1,032,709 from 2015 to 2016.
- The classroom facilities fund had cash receipts of \$319,094 in 2016. The cash disbursements of the classroom facilities fund, totaled \$18,216,626 in 2016. The classroom facilities fund cash balance decreased \$17,897,532 from 2015 to 2016.

Using this Cash Basis Basic Financial Statements (BFS)

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

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there are three major governmental funds. The general fund, permanent improvement fund and the classroom facilities fund are the only major funds.

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WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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Reporting the District as a Whole

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

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis answer the question, “How did the District perform financially during 2016?” These statements include *only net cash position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, the Governmental Activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the permanent improvement fund and the classroom facilities fund.

Governmental Funds

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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(Continued)

view of the District's general government operations and the basic services it provides.

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Recall that the Statement of Net Position – Cash Basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2016 and June 30, 2015.

	Net Cash Position	
	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 12,353,829	\$ 30,241,662
Cash and cash equivalents with fiscal agent	-	14
Total assets	<u>12,353,829</u>	<u>30,241,676</u>
<u>Net Cash Position</u>		
Restricted	4,665,729	23,278,904
Unrestricted	7,688,100	6,962,772
Total net cash position	<u>\$ 12,353,829</u>	<u>\$ 30,241,676</u>

The total net cash position of the District decreased \$17,887,847 from fiscal year 2015. This decrease can be attributed to the funds expended for a school construction project under the State of Ohio Classroom Facilities

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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(Continued)

Assistance Program (CFAP).

The balance of government-wide unrestricted net cash position of \$7,688,100 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2016 and 2015.

	Change in Net Cash Position	
	Governmental Activities 2016	Governmental Activities 2015
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 708,426	\$ 802,618
Operating grants and contributions	1,216,364	1,232,446
Total program cash receipts	<u>1,924,790</u>	<u>2,035,064</u>
General cash receipts:		
Property and other taxes	3,825,181	3,682,409
Unrestricted grants	5,566,183	4,973,409
Restricted grants	276,000	15,258,851
Lease purchase transaction	1,000,000	-
Donations	-	170,346
Investment earnings	100,294	70,506
Other	135,663	18,933
Total general cash receipts	<u>10,903,321</u>	<u>24,174,454</u>
Total cash receipts	<u>12,828,111</u>	<u>26,209,518</u>

- Continued

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)

	Governmental Activities 2016	Governmental Activities 2015
Cash Disbursements:		
Instruction:		
Regular	3,855,663	3,775,268
Special	1,433,305	1,308,433
Vocational	456,822	410,897
Other	407,074	445,692
Support services:		
Pupil	393,762	425,625
Instructional staff	421,683	397,002
Board of education	45,573	61,474
Administration	772,227	744,012
Fiscal	359,810	347,529
Operations and maintenance	421,620	467,391
Pupil transportation	278,066	305,533
Central	-	26,709
Operation of non-instructional services:		
Other non-instructional services	201,467	133,887
Food service operations	375,428	365,716
Extracurricular	363,710	359,491
Facilities acquisition and construction	20,334,362	9,502,344
Debt service:		
Principal retirement	5,000	-
Interest and fiscal charges	590,386	563,150
Total cash disbursements	<u>30,715,958</u>	<u>19,640,153</u>
Transfers	<u>-</u>	<u>50,000</u>
Change in net cash position	(17,887,847)	6,619,365
Net cash position at beginning of year	30,241,676	23,622,311
Net cash position at end of year	<u>\$ 12,353,829</u>	<u>\$ 30,241,676</u>

Governmental Activities

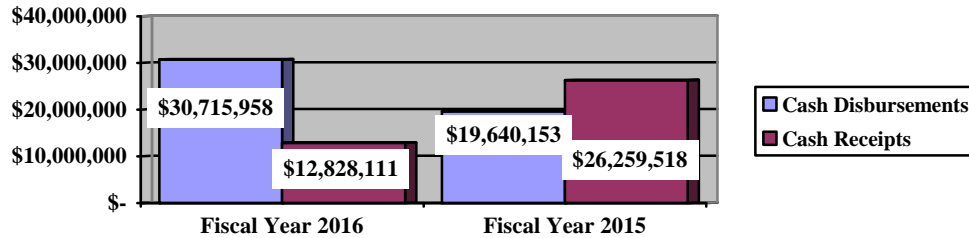
Governmental cash position decreased \$17,887,847 in fiscal year 2016 from fiscal year 2015. Governmental program receipts of \$1,924,790 and general receipts of \$10,903,321 were not adequate to offset governmental disbursements of \$30,715,958. Program revenues supported 6.27% of the total governmental disbursements. The increase in disbursements can be attributed to an increase in facilities acquisition and construction disbursements relating to the District's school construction project.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These receipt sources represent 75.36% of total governmental receipts. Real estate is reappraised every six years.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



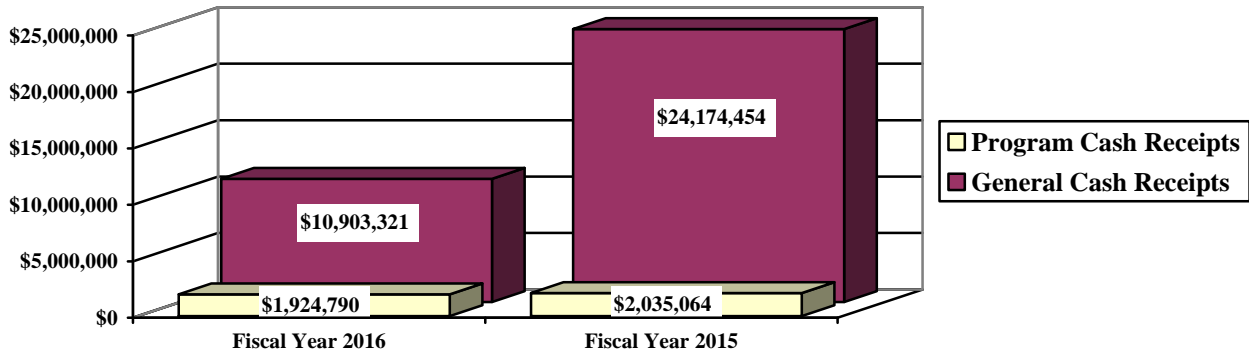
	Governmental Activities			
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Cash disbursements				
Instruction:				
Regular	\$ 3,855,663	\$ 3,461,408	\$ 3,775,268	\$ 3,331,432
Special	1,433,305	745,041	1,308,433	530,847
Vocational	456,822	388,294	410,897	353,734
Other	407,074	393,194	445,692	419,869
Support services:				
Pupil	393,762	380,144	425,625	415,996
Instructional staff	421,683	390,811	397,002	363,753
Board of education	45,573	45,573	61,474	61,474
Administration	772,227	770,977	744,012	742,673
Fiscal	359,810	359,806	347,529	347,525
Operations and maintenance	421,620	410,170	467,391	456,441
Pupil transportation	278,066	234,098	305,533	252,260
Central	-	-	26,709	26,709
Operation of non-instruction services:				
Other non-instructional services	201,467	1,322	133,887	(28,153)
Food service operations	375,428	23,010	365,716	8,209
Extracurricular	363,710	257,572	359,491	256,826
Facilities acquisition and construction	20,334,362	20,334,362	9,502,344	9,502,344
Debt service:				
Principal retirement	5,000	5,000	563,150	563,150
Interest and fiscal charges	590,386	590,386	-	-
Total	<u>\$ 30,715,958</u>	<u>\$ 28,791,168</u>	<u>\$ 19,640,153</u>	<u>\$ 17,605,089</u>

The dependence upon general cash receipts for governmental activities is apparent; with 93.73% of cash disbursements supported through taxes and other general cash receipts during 2016.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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(Continued)

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The District's governmental funds reported a combined fund cash balance of \$12,353,829, which is \$17,887,847 less than last year's total of \$30,241,676. This decrease can be attributed to facilities acquisition and construction expenses through the CFAP construction project. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2016</u>	Fund Cash Balance <u>June 30, 2015</u>	Increase/ <u>(Decrease)</u>
Major Funds:			
General	\$ 5,697,899	\$ 5,892,865	\$ (194,966)
Permanent improvement	2,702,530	1,669,821	1,032,709
Classroom facilities	3,457,047	21,354,579	(17,897,532)
Other Nonmajor Governmental Funds	<u>496,353</u>	<u>1,324,411</u>	<u>(828,058)</u>
Total	<u>\$ 12,353,829</u>	<u>\$ 30,241,676</u>	<u>\$ (17,887,847)</u>

General Fund

The general fund, the District's primary major fund, had cash receipts of \$9,687,645 in 2016. The cash disbursements and other financing uses of the general fund, totaled \$9,882,611 in 2016. The general fund's cash balance decreased \$194,966 from 2015 to 2016. The tables that follow assist in illustrating the cash receipts and expenditures of the general fund.

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WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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	2016 Amount	2015 Amount	Percentage Change
<u>Cash Receipts:</u>			
Taxes	\$ 3,090,395	\$ 2,975,685	3.85 %
Tuition	339,965	344,163	(1.22) %
Transportation fees	4,406	7,869	(44.01) %
Earnings on investments	56,449	37,787	49.39 %
Other local revenues	299,752	159,483	87.95 %
Intergovernmental	5,896,678	5,417,874	8.84 %
Total	<u>\$ 9,687,645</u>	<u>\$ 8,942,861</u>	8.33 %
<u>Cash Disbursements</u>			
Instruction	\$ 5,907,739	\$ 5,577,308	5.92 %
Support services	2,604,476	2,621,745	(0.66) %
Operation of non instruction	1,984	440	350.91 %
Extracurricular	259,951	263,668	(1.41) %
Facilities acquisition and construction	80,920	-	100.00 %
Interest and fiscal charges	27,311	-	100.00 %
Other financing uses	1,000,230	25,799	3,777.01 %
Total	<u>\$ 9,882,611</u>	<u>\$ 8,488,960</u>	16.42 %

Overall receipts increased from 2015 with an increase of \$744,784 or 8.33%. The increase in earnings on investments is due to an increase in interest rates earned on investments. The increase in other local receipts can be attributed to an increase in miscellaneous receipts received during 2016. The increase in intergovernmental receipts can be attributed to an increase in grants received from the state in 2016.

Overall disbursements increased from 2015 with an increase of \$1,393,651 or 16.42% from 2015. There was over 100% increase in operation of non-instruction disbursements, but ultimately the increase of \$1,544 is insignificant to the total disbursements. The increase in facilities acquisition and construction, interest and fiscal charges, and other financing uses is related to debt and construction activity. All other disbursements remained comparable to fiscal year 2015.

Permanent Improvement Fund

The permanent improvement fund had cash receipts and other financing sources of \$2,188,997 in 2016. The cash disbursements of the permanent improvement fund, totaled \$1,156,288 in 2016.

Classroom Facilities Fund

The classroom facilities fund had cash receipts of \$319,094 in 2016. The cash disbursements of the classroom facilities fund, totaled \$18,216,626 in 2016.

Budgeting Highlights - General Fund

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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For the general fund, final budget basis receipts were \$184,436 greater than the original budget estimates. Actual cash receipts of \$9,668,939 were more than final budget estimates by \$570,187. Final budget basis disbursements and other financing uses were \$1,350,328 above original budget estimates. The actual budgetary basis disbursements and other financing uses of \$10,302,200 were \$191,602 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had \$20,334,362 in facilities acquisition and construction disbursements during fiscal year 2016.

Debt Administration

At June 30, 2016, the District had the following long-term obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds	\$ 10,944,127	\$ 10,928,859
Lease-purchase obligation	<u>1,000,000</u>	<u>-</u>
Total	<u>\$ 11,944,127</u>	<u>\$ 10,928,859</u>

See Note 7 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

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

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

Due to House Bill 66, additional local dollars have been lost in the form of reduced personal tangible property taxes. All personal tangible property taxes have been phased out as of May 2009. These taxes provided in excess of \$1,000,000 in revenue in 2005. This means that the District lost about 17% of its revenue stream. HB153 provided an accelerated phase out of the TPP reimbursement. The District lost 25 percent of the

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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(Continued)**

reimbursement in fiscal year 2012 and another 25 percent in fiscal year 2013. The most recent state budget continues the phase out. The District has been able to overcome the loss of TPP in part due to CAUV increases and proper fiscal management.

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

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

Contacting the District's Financial Management

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 12,353,829
Total assets.	\$ 12,353,829
 Net cash position:	
Restricted for:	
Capital projects	\$ 4,214,394
Classroom facilities maintenance	156,024
Debt service.	86,537
Locally funded programs	1,749
State funded programs.	71,763
Student activities	42,917
Food services	92,345
Unrestricted	7,688,100
Total net cash position.	\$ 12,353,829

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 3,855,663	\$ 389,132	\$ 5,123	\$ (3,461,408)
Special	1,433,305	30	688,234	(745,041)
Vocational	456,822	-	68,528	(388,294)
Other	407,074	13,880	-	(393,194)
Support services:				
Pupil.	393,762	-	13,618	(380,144)
Instructional staff	421,683	-	30,872	(390,811)
Board of education	45,573	-	-	(45,573)
Administration.	772,227	-	1,250	(770,977)
Fiscal.	359,810	-	4	(359,806)
Operations and maintenance	421,620	11,450	-	(410,170)
Pupil transportation.	278,066	18,670	25,298	(234,098)
Operation of non-instructional services:				
Other non-instructional services	201,467	-	200,145	(1,322)
Food service operations	375,428	182,620	169,798	(23,010)
Extracurricular activities.	363,710	92,644	13,494	(257,572)
Facilities acquisition and construction	20,334,362	-	-	(20,334,362)
Debt service:				
Principal retirement	5,000	-	-	(5,000)
Interest and fiscal charges	590,386	-	-	(590,386)
Total governmental activities	\$ 30,715,958	\$ 708,426	\$ 1,216,364	(28,791,168)

General cash receipts:

Property taxes levied for:	
General purposes	1,911,915
Debt service.	538,904
Capital outlay.	155,763
Special revenues.	40,119
Income taxes levied for:	
General purposes	1,178,480
Grants and entitlements restricted for Ohio	
Facilities Construction Commission	276,000
Grants and entitlements not restricted to specific programs	
Investment earnings	5,566,183
Miscellaneous	100,294
Miscellaneous	135,663
Lease purchase transaction	1,000,000
Total general cash receipts	10,903,321
Change in net cash position	(17,887,847)
Net cash position at beginning of year	30,241,676
Net cash position at end of year.	\$ 12,353,829

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 5,697,899	\$ 2,702,530	\$ 3,457,047	\$ 496,353	\$ 12,353,829
Total assets	<u>\$ 5,697,899</u>	<u>\$ 2,702,530</u>	<u>\$ 3,457,047</u>	<u>\$ 496,353</u>	<u>\$ 12,353,829</u>
Fund cash balances:					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 86,537	\$ 86,537
Capital improvements	-	702,530	3,457,047	54,817	4,214,394
Classroom facilities maintenance	-	-	-	156,024	156,024
Food service operations	-	-	-	92,345	92,345
Non-public schools	-	-	-	68,163	68,163
Other purposes.	-	-	-	5,349	5,349
Extracurricular activities.	-	-	-	42,917	42,917
Committed:					
Capital improvements	-	2,000,000	-	-	2,000,000
Termination benefits.	83,199	-	-	-	83,199
Assigned:					
Student instruction	131,652	-	-	-	131,652
Student and staff support.	283,163	-	-	-	283,163
Facilities acquisition and construction	66,135	-	-	-	66,135
Subsequent year's appropriations	1,801,049	-	-	-	1,801,049
Operation of non-instructional	1,430	-	-	-	1,430
Unassigned (deficit)	3,331,271	-	-	(9,799)	3,321,472
Total fund cash balances	<u>\$ 5,697,899</u>	<u>\$ 2,702,530</u>	<u>\$ 3,457,047</u>	<u>\$ 496,353</u>	<u>\$ 12,353,829</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:					
From local sources:					
Property taxes	\$ 1,911,915	\$ 155,763	\$ -	\$ 579,023	\$ 2,646,701
Income taxes	1,178,480	-	-	-	1,178,480
Tuition	339,965	-	-	-	339,965
Transportation fees	4,406	-	-	-	4,406
Earnings on investments	56,449	-	43,094	929	100,472
Charges for services	-	-	-	182,620	182,620
Extracurricular	18,706	-	-	102,082	120,788
Classroom materials and fees	43,429	-	-	-	43,429
Rental income	11,450	-	-	-	11,450
Contributions and donations	84,736	-	-	15,615	100,351
Contract services	5,768	-	-	-	5,768
Other local revenues	135,663	-	-	865	136,528
Intergovernmental - intermediate	-	-	-	200	200
Intergovernmental - state	5,896,678	33,234	276,000	259,023	6,464,935
Intergovernmental - federal	-	-	-	492,018	492,018
Total cash receipts	<u>9,687,645</u>	<u>188,997</u>	<u>319,094</u>	<u>1,632,375</u>	<u>11,828,111</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	3,850,102	-	-	5,561	3,855,663
Special	1,193,741	-	-	239,564	1,433,305
Vocational	456,822	-	-	-	456,822
Other	407,074	-	-	-	407,074
Support services:					
Pupil	375,866	3,909	-	13,987	393,762
Instructional staff	395,082	-	-	26,601	421,683
Board of education	45,573	-	-	-	45,573
Administration	770,926	-	-	1,301	772,227
Fiscal	334,196	5,376	-	20,238	359,810
Operations and maintenance	421,620	-	-	-	421,620
Pupil transportation	261,213	-	-	16,853	278,066
Operation of non-instructional services:					
Other non-instructional services	1,984	-	-	199,483	201,467
Food service operations	-	-	-	375,428	375,428
Extracurricular activities	259,951	-	-	103,759	363,710
Facilities acquisition and construction	80,920	1,147,003	18,216,626	889,813	20,334,362
Debt service:					
Principal retirement	-	-	-	5,000	5,000
Interest and fiscal charges	4,084	-	-	563,075	567,159
Lease-purchase issuance costs	23,227	-	-	-	23,227
Total cash disbursements	<u>8,882,381</u>	<u>1,156,288</u>	<u>18,216,626</u>	<u>2,460,663</u>	<u>30,715,958</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>805,264</u>	<u>(967,291)</u>	<u>(17,897,532)</u>	<u>(828,288)</u>	<u>(18,887,847)</u>
Other financing sources (uses):					
Transfers in	-	1,000,000	-	230	1,000,230
Transfers (out)	(1,000,230)	-	-	-	(1,000,230)
Lease purchase transaction	-	1,000,000	-	-	1,000,000
Total other financing sources (uses)	<u>(1,000,230)</u>	<u>2,000,000</u>	<u>-</u>	<u>230</u>	<u>1,000,000</u>
Net change in fund cash balances	(194,966)	1,032,709	(17,897,532)	(828,058)	(17,887,847)
Fund cash balances at beginning of year	<u>5,892,865</u>	<u>1,669,821</u>	<u>21,354,579</u>	<u>1,324,411</u>	<u>30,241,676</u>
Fund cash balances at end of year	<u>\$ 5,697,899</u>	<u>\$ 2,702,530</u>	<u>\$ 3,457,047</u>	<u>\$ 496,353</u>	<u>\$ 12,353,829</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 1,785,670	\$ 1,822,615	\$ 1,911,915	\$ 89,300
Income taxes	1,129,697	1,153,070	1,178,480	25,410
Tuition	337,186	344,162	339,965	(4,197)
Transportation fees	1,308	1,335	4,406	3,071
Earnings on investments	33,544	34,238	56,449	22,211
Classroom materials and fees	40,864	41,709	43,429	1,720
Rental income	10,238	10,450	11,450	1,000
Contributions and donations	-	-	84,736	84,736
Contract services	29,099	29,701	5,768	(23,933)
Other local revenues	37,615	38,393	135,663	97,270
Intergovernmental - state	5,509,095	5,623,079	5,896,678	273,599
Total budgetary basis receipts	8,914,316	9,098,752	9,668,939	570,187
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	3,500,739	4,010,237	3,919,397	90,840
Special	1,010,997	1,157,609	1,209,965	(52,356)
Vocational	374,868	429,230	467,041	(37,811)
Other	390,430	447,049	395,110	51,939
Support services:				
Pupil	363,852	416,617	393,842	22,775
Instructional staff	398,869	456,712	418,402	38,310
Board of education	72,194	82,663	68,711	13,952
Administration	680,447	779,124	777,629	1,495
Fiscal	299,872	343,359	340,866	2,493
Operations and maintenance	503,487	576,502	553,220	23,282
Pupil transportation	284,139	325,344	320,851	4,493
Central	24,026	27,510	4,500	23,010
Operation of non-instructional services:				
Other non-instructional services	664	760	3,414	(2,654)
Extracurricular activities	235,006	269,086	254,656	14,430
Facilities acquisition and construction	100,435	115,000	147,055	(32,055)
Debt service:				
Interest and fiscal charges	3,493	4,000	4,084	(84)
Lease-purchase issuance costs	20,087	23,000	23,227	(227)
Total budgetary basis disbursements	8,263,605	9,463,802	9,301,970	161,832
 Excess (deficiency) of cash receipts over (under) cash disbursements	 650,711	 (365,050)	 366,969	 732,019
Other financing uses:				
Transfers (out)	(879,869)	(1,030,000)	(1,000,230)	29,770
Total other financing uses	(879,869)	(1,030,000)	(1,000,230)	29,770
 Net change in fund cash balance	 (229,158)	 (1,395,050)	 (633,261)	 761,789
Fund cash balance at beginning of year	5,511,659	5,511,659	5,511,659	-
Prior year encumbrances appropriated	248,946	248,946	248,946	-
Fund cash balance at end of year	\$ 5,531,447	\$ 4,365,555	\$ 5,127,344	\$ 761,789

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 25,142	\$ 115,364
Net cash position:		
Held for student activities	\$ -	\$ 115,364
Held in trust for scholarships	25,142	-
Total net cash position.	\$ 25,142	\$ 115,364

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 27
Gifts and contributions	3,425
Total additions	3,452
 Deductions:	
Scholarships awarded	2,601
Change in net cash position	851
Net cash position at beginning of year	24,291
Net cash position at end of year	\$ 25,142

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1886. The District serves an area of approximately fifty square miles. It is located in Wyandot and Seneca Counties. It is staffed by 41 classified employees, 64 certified employees and 5 administrators who provide services to 833 students and other community members. The District currently operates one building which serves grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Our Lady of Consolation

Within the District's boundaries, Our Lady of Consolation is operated as a private Catholic school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The financial activity is reflected in a special revenue fund (other governmental fund) of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

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

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

Northwestern Ohio Educational Research Council, Inc.

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

PUBLIC ENTITY RISK POOLS

Ohio School Board Association Workers' Compensation Group Retro Program

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Wyandot-Crawford Health Benefit Plan

The Wyandot-Crawford Health Benefit Plan (the Plan) is a public entity shared risk pool consisting of seven school districts. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c) (9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to employees of the participating school districts. Each participating school district's superintendent and treasurer are appointed to the Board of Directors which advises the Trustee, Huntington Trust Company, N.A., concerning aspects of the administration of the Plan.

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

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

RELATED ORGANIZATION

Dorcas Carey Library

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

B. Basis of Accounting

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

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

D. Basis of Presentation

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

E. Budgets

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing tax rates.

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement for the general fund reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2016.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the certificate of estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. All supplemental appropriations were legally enacted by the Board during fiscal year 2016.

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

Lapsing of Appropriations:

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

F. Cash and Investments

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

During fiscal year 2016, investments were limited to non-negotiable certificates of deposit, negotiable certificates of deposit, U.S. government money market mutual funds, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares prices, which is the price the investment could be sold for on June 30, 2016. All investments are reported at cost (carrying value). At June 30, 2016, the fair value of the District's investments was \$8,672,984 which is \$31,421 more than their carrying value.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$56,449, which includes \$17,972 assigned from other funds.

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

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

G. Capital Assets

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

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

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

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WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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J. Fund Cash Balance

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

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

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

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

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

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

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

K. Net Cash Position

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

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

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers

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are reported as other financing receipts/disbursements in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

N. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

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GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Change in Major Funds

The District's governmental beginning balances have been restated due to a change in the funds considered to be major funds as of June 30, 2016.

In Fiscal Year 2015, the permanent improvement fund was classified as a nonmajor fund. In Fiscal Year 2016, the permanent improvement fund was classified as a major fund due to an increase in Other Financing Sources and Fund Balance.

The prior period restatement had the following effect on the District's governmental fund cash balances as previously reported:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund cash balance as of June 30, 2015	\$5,892,865		\$21,354,579	\$2,994,232	\$30,241,676
Fund reclassifications:					
Permanent Improvement		\$1,669,821		(1,669,821)	
Total reclassifications		<u>1,669,821</u>		<u>(1,669,821)</u>	
Restated fund cash balance as of July 1, 2015	<u>\$5,892,865</u>	<u>\$1,669,821</u>	<u>\$21,354,579</u>	<u>\$1,324,411</u>	<u>\$30,241,676</u>

The prior period restatement did not have an effect on net cash position as previously reported.

C. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net cash position/fund cash balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

D. Deficit Cash Balances

The District had the following deficit cash balances at June 30, 2016:

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<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Vocational education enhancement	\$ 493
IDEA Part-B	4,832
Title I	4,474

This deficit cash balance resulted from a lag between disbursements made by the District and reimbursements from grantors and are allowable under Ohio Revised Code §3315.20.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 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 the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits (including non-negotiable certificates of deposits of \$2,850,000) was \$3,852,772. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$774,472 of the District's bank balance of \$3,939,039 was exposed to custodial risk as discussed below, while \$3,164,567 was covered by the FDIC.

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2016, the District had the following investments and maturities:

Investment type	Carrying Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 5,102,463	\$ 5,102,463	\$ -	\$ -	\$ -	\$ -
U.S. Government money market mutual fund	463,100	463,100	-	-	-	-
Negotiable CD's	<u>3,076,000</u>	<u>799,000</u>	<u>550,000</u>	<u>250,000</u>	<u>250,000</u>	<u>1,227,000</u>
Total	<u>\$ 8,641,563</u>	<u>\$ 6,364,563</u>	<u>\$ 550,000</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 1,227,000</u>

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

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

Investment type	Carrying Value	% of Total
STAR Ohio	\$ 5,102,463	59.05
U.S. Government money market mutual fund	463,100	5.35
Negotiable CD's	<u>3,076,000</u>	<u>35.60</u>
Total	<u>\$ 8,641,563</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position - cash basis as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,852,772
Investments	8,641,563
Total	\$ 12,494,335
 <u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 12,353,829
Private-purpose trust fund	25,142
Agency fund	115,364
Total	\$ 12,494,335

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wyandot and Seneca Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

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	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 94,026,860	97.49	\$ 94,615,180	97.24
Public utility personal	2,418,690	2.51	2,682,880	2.76
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 96,445,550</u>	<u>100.00</u>	<u>\$ 97,298,060</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$59.65		\$59.65	

NOTE 6 – INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Permanent improvement fund	\$1,000,000
Nonmajor governmental funds	230
	<u>1,000,230</u>

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and to use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the statement of activities.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 7 - LONG-TERM OBLIGATIONS

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

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<u>General Obligation Bonds:</u>	Balance 6/30/15	Increases	Decreases	Balance 6/30/16	Amount Due in One Year
Series 2013					
Current interest	\$ 10,850,000	\$ -	\$ (5,000)	\$ 10,845,000	\$ 5,000
Capital appreciation bonds	55,000	-	-	55,000	-
Accreted interest on bonds	<u>23,859</u>	<u>20,268</u>	<u>-</u>	<u>44,127</u>	<u>-</u>
Total General Obligation Bonds	<u>10,928,859</u>	<u>20,268</u>	<u>(5,000)</u>	<u>10,944,127</u>	<u>5,000</u>
Lease-purchase agreement	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>65,000</u>
Total governmental activities	<u>\$ 10,928,859</u>	<u>\$ 1,020,268</u>	<u>\$ (5,000)</u>	<u>\$ 11,944,127</u>	<u>\$ 70,000</u>

See Note 8 for detail on the lease-purchase agreement.

B. Series 2013 General Obligation Bonds

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

The capital appreciation bonds bear interest, compounded semi-annually on May 1 and November 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2024 through 2032. The maturity amount of the capital appreciation bonds is \$1,320,000 with \$1,265,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2016 is \$44,127.

Future debt requirements are below:

Year	Series 2013A					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 5,000	\$ 562,925	\$ 567,925	\$ -	\$ -	\$ -
2018	30,000	562,400	592,400	-	-	-
2019	35,000	561,425	596,425	-	-	-
2020	40,000	560,300	600,300	-	-	-
2021	65,000	558,400	623,400	-	-	-
2022 - 2026	145,000	2,762,400	2,907,400	25,000	290,000	315,000
2027 - 2031	-	2,756,500	2,756,500	25,000	790,000	815,000
2032 - 2036	1,045,000	2,655,664	3,700,664	5,000	185,000	190,000
2037 - 2041	1,990,000	2,252,714	4,242,714	-	-	-
2042 - 2046	3,045,000	1,612,309	4,657,309	-	-	-
2047 - 2051	<u>4,445,000</u>	<u>633,645</u>	<u>5,078,645</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,845,000</u>	<u>\$ 15,478,682</u>	<u>\$ 26,323,682</u>	<u>\$ 55,000</u>	<u>\$ 1,265,000</u>	<u>\$ 1,320,000</u>

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C. Legal Debt Margin

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

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effect of these debt limitations at June 30, 2016 was an unvoted debt margin of \$97,298. Pursuant to Ohio Revised Code Section 133.06, the District was able to exceed 9% of their tax valuation without receiving special needs approval from the State since the cost of their locally funded initiatives did not exceed fifty percent of the local share of their Ohio Schools Facilities Construction project.

NOTE 8 - LEASE-PURCHASE AGREEMENT

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

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

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2016:

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<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 65,000	\$ 23,317	\$ 88,317
2018	95,000	21,389	116,389
2019	95,000	19,099	114,099
2020	100,000	16,749	116,749
2021	100,000	14,339	114,339
2022 - 2026	<u>545,000</u>	<u>33,439</u>	<u>578,439</u>
Present value of minimum lease payments	<u>\$ 1,000,000</u>	<u>\$ 128,332</u>	<u>\$ 1,128,332</u>

NOTE 9 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2016, the District purchased liability, property, and fleet insurance with Trident through Governmental Underwriters of America (GUA), 600 Superior Ave, Suite 1300, Cleveland, OH 44114. The District pays annual premiums based on the types and limits of coverage and deductibles selected.

Coverage provided by GUA is as follows:

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

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

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WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

B. Workers' Compensation

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

C. Health Insurance

The District participates in the Wyandot-Crawford Health Benefit Plan (the Plan), a public entity shared risk pool consisting of six school districts (FY2016). The District pays monthly premiums to the Plan for medical, dental, and life insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. The Consortium also contracts with VSP for vision insurance.

NOTE 10 - PENSION PLANS

Net Pension Liability

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

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

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$152,325 for fiscal year 2016.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

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

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

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio 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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$553,098 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportionate share of the net pension liability	\$1,939,006	\$9,959,075	\$11,898,081
Proportion of the net pension liability	0.0339813%	0.03603520%	

Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$2,688,704	\$1,939,006	\$1,307,698

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$13,833,907	\$9,959,075	\$6,682,327

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$17,976, \$8,389, and \$1,338, respectively. 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System of Ohio

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$39,261, respectively; 100 percent has been contributed for fiscal year 2014.

NOTE 12 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 13 - STATUTORY RESERVES

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2015	\$ -
Current year set-aside requirement	140,714
Current year qualifying disbursements	(25,565)
Current year offsets	<u>(115,149)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside reserve balance June 30, 2016	<u><u>\$ -</u></u>

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

<u>Net Change in Fund Cash Balance</u>	
Budget basis	\$ (633,261)
Net adjustment for receipts	1
Net adjustment for disbursements	(172)
Funds budgeted elsewhere	(40,988)
Adjustment for encumbrances	<u>479,454</u>
Cash basis	<u><u>\$ (194,966)</u></u>

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

NOTE 15 - INCOME TAXES

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax became effective January, 2005. A five year renewal of the levy was passed in November 2013. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the general fund.

NOTE 16 - COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 479,454
Permanent improvement fund	2,344,641
Classroom facilities fund	2,754,126
Other nonmajor governmental	<u>105,631</u>
 Total	 <u>\$ 5,683,852</u>



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 4, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-002 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2017

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance

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

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

As a cost savings measure, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

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

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

Officials' Response:

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

FINDING NUMBER 2016-002

Significant Deficiency

Financial Reporting

Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

**FINDING NUMBER 2016-002
(Continued)**

Assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

The District appropriated \$389,272 more for fiscal year 2017 than they estimated receiving in taxes and other sources. This information was available prior to the report filing date, and should have been classified as assigned fund balance for fiscal year 2016. Further, the District appropriated an additional \$1,411,777 to the general fund through December 31, 2016. The accompanying financial statements have been adjusted to reflect the appropriate subsequent year assigned fund balance of \$1,801,049.

This was the result of inadequate policies and procedures in reviewing the financial statements. We recommend the District review GASB 54 and Auditor of State Bulletin 2011-004 to help ensure their fund balances are properly reported.

Officials' Response:

The year-end financial reporting for the various GASB rules is done by a third party accounting firm. The additional appropriations were approved in FY2017 for the buildings scheduled to be built in FY17. The third party accounting firm did not request subsequent appropriations for the year immediately following the audit period. This resulted in a classification that did not agree with the auditor's preferred classification. The reclassification is a technical issue that does not affect current operations or current fund balances.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) for reporting on a basis other than generally accepted accounting principles.	Not Corrected. Repeated in this report as finding 2016-001.	The District continues to elect to file OCBOA financial statements.
2015-002	Material weakness in financial reporting due to errors in financial statements.	Partially Corrected. Repeated in this report as finding 2016-002.	The District corrected the restricted fund balance by debt requirements, although additional errors were noted and not detected. In the future, we will submit the year-end financial information to the Hinkle system prior to board adoption of the permanent appropriations. Estimated resources will be compared to appropriations before adopting.

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Dave Yost • Auditor of State

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 23, 2017**