



Dave Yost • Auditor of State

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

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CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chesapeake Union Exempted Village School District, Lawrence County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2018

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Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Chesapeake Union Exempted Village School District's (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$740,539.
- The School District's net position of governmental activities decreased \$400,475.
- General revenues accounted for \$11,227,013 in revenue or 72 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants accounted for \$4,441,156 or 28 percent of total revenues of \$15,668,169.
- The School District had \$16,068,644 in expenses related to governmental activities; \$4,441,156 of these expenses was offset by program specific charges for services and sale, operating grants and contributions and capital grants.

USING THIS ANNUAL FINANCIAL REPORT

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

The statement of net position and statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

Chesapeake Union Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

Table 1
Net Position
Governmental Activities

	<u>2017</u>	<u>2016</u>
Assets:		
Current and Other Assets	\$ 8,367,875	\$ 7,461,664
Capital Assets, Net	<u>18,857,188</u>	<u>19,892,955</u>
Total Assets	<u>27,225,063</u>	<u>27,354,619</u>
Deferred Outflows of Resources:		
Pensions	3,846,626	1,808,398
Unamortized Deferred Amount on Refunding	<u>47,014</u>	<u>57,524</u>
Total Deferred Outflows of Resources	<u>3,893,640</u>	<u>1,865,922</u>
Liabilities:		
Current and Other Liabilities	1,376,358	1,409,432
Long-Term Liabilities:		
Due Within One Year	423,452	412,214
Due in More than One Year:		
Net Pension Liabilities	20,627,907	16,839,457
Other Amounts	<u>5,146,257</u>	<u>5,506,015</u>
Total Liabilities	<u>27,573,974</u>	<u>24,167,118</u>
Deferred Inflows of Resources		
Pensions	523,281	1,701,153
Property Taxes not Levied to Finance the Current Year	<u>2,280,909</u>	<u>2,211,256</u>
Total Deferred Inflows of Resources	<u>2,804,190</u>	<u>3,912,409</u>
Net Position:		
Net Investment in Capital Assets	14,099,381	14,635,145
Restricted	1,253,186	1,206,248
Unrestricted	<u>(14,612,028)</u>	<u>(14,700,379)</u>
Total Net Position	<u>\$ 740,539</u>	<u>\$ 1,141,014</u>

Many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

Chesapeake Union Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the School District’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

Total net position of the School District as a whole decreased in the amount of \$400,475. Current and other assets increased primarily due to cash balances on hand at June 30, 2017, in addition to increases in intergovernmental receivables and taxes receivable. Deferred outflows of resources increased primarily due to changes in the net pension liability. Deferred inflows of resources decreased primarily due to changes in the net pension liability. Capital assets decreased primarily due to current year deletions and depreciation, which were partially offset by additions. Long-term liabilities increased primarily to the due to an increase in the net pension liability which was partially offset by principal payments on other long term debts.

Chesapeake Union Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

Table 2 shows the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,538,363	\$ 1,394,996
Operating Grants and Contributions	2,902,793	2,696,738
Capital Grants	-	97,443
Total Program Revenues	<u>4,441,156</u>	<u>4,189,177</u>
General Revenues:		
Grants and Entitlements, Not Restricted to Specific Programs	8,388,359	8,166,417
Gifts and Donations, Not Restricted to Specific Programs	33,503	49,135
Investment Earnings	3,380	1,169
Miscellaneous	103,602	125,003
Insurance Recoveries	-	2,253
Gain on Sale of Capital Asset	49,577	-
Property Taxes	<u>2,648,592</u>	<u>2,451,898</u>
Total General Revenues	<u>11,227,013</u>	<u>10,795,875</u>
Total Revenues	<u>15,668,169</u>	<u>14,985,052</u>
Program Expenses		
Instruction		
Regular	7,639,110	6,940,807
Special	1,343,242	1,359,065
Other	72,948	67,279
Support Services		
Pupils	747,376	601,426
Instructional Staff	741,193	791,749
Board of Education	65,968	85,823
Administration	1,140,691	1,028,712
Fiscal	412,468	368,257
Operation and Maintenance of Plant	1,183,400	1,156,398
Pupil Transportation	941,259	761,066
Central	515,789	416,212
Operation of Non-Instructional Services	572,047	469,035
Extracurricular Activities	475,172	468,567
Interest and Fiscal Charges	<u>217,981</u>	<u>224,968</u>
Total Expenses	<u>16,068,644</u>	<u>14,739,364</u>
Increase (Decrease) in Net Position	(400,475)	245,688
Net Position at Beginning of Year	<u>1,141,014</u>	<u>895,326</u>
Net Position at End of Year	<u>\$ 740,539</u>	<u>\$ 1,141,014</u>

Chesapeake Union Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

Governmental Activities

Capital grants decreased due to an equipment grant received in the prior year. Grants and entitlements not restricted to specific programs increased due to increases in foundation funding. Charges for sales and services increased due to increases in tuition and fees. Regular instruction and pupils support services increased due in an increase in wages and benefits. Pupil transportation increased due to increased wages and benefits in addition to increased pension liability expense.

Charges for services and sales comprised 10 percent of revenue for governmental activities, while operating grants and contributions comprised 19 percent of revenue for governmental activities of the School District for fiscal year 2017. Unrestricted grants and entitlements and property taxes made up 54 percent and 17 percent, respectively, of total revenues.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 48 percent of governmental program expenses with special instruction comprising 8 percent of governmental expenses. Administration and operation and maintenance of plant support services also comprise a significant portion of total expenses, each of them accounting for 7 and 7 percent respectively, of total expenses.

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

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2017	2017	2016	2016
Program Expenses				
Instruction:				
Regular	\$7,639,110	\$6,760,122	\$6,940,807	\$6,161,116
Special	1,343,242	(315,306)	1,359,065	(88,524)
Other	72,948	61,388	67,279	52,710
Support Services:				
Pupils	747,376	555,013	601,426	413,396
Instructional Staff	741,193	280,015	791,749	303,346
Board of Education	65,968	59,819	85,823	77,733
Administration	1,140,691	1,016,772	1,028,712	916,766
Fiscal	412,468	368,627	368,257	328,340
Operation and Maintenance of Plant	1,183,400	1,041,640	1,156,398	939,523
Pupil Transportation	941,259	830,489	761,066	674,135
Central	515,789	428,331	416,212	343,810
Operation of Non-Instructional Services	572,047	19,937	469,035	(88,842)
Extracurricular Activities	475,172	310,480	468,567	299,926
Interest and Fiscal Charges	217,981	210,161	224,968	216,752
Total	<u>\$16,068,644</u>	<u>\$11,627,488</u>	<u>\$14,739,364</u>	<u>\$10,550,187</u>

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

THE SCHOOL DISTRICT'S FUNDS

The governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,775,652 and expenditures and other financing uses of \$14,964,046.

The fund balance of the General Fund increased \$735,059. This increase was due to total revenues exceeding expenditures. Intergovernmental revenues increased \$424,763 and tuition and fees revenues increased \$145,620 from the prior year, while expenditures increased \$675,093 overall from the prior year. The fund balance of the Bond Retirement Fund decreased in the amount of \$45,190 primarily due to principal and interest costs exceeding tax and intergovernmental revenues.

General Fund Budgeting Highlights

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

During 2017, there were several revisions to the General Fund budget. In part, these revisions increased estimated revenues and other financing sources by \$409,068 and increased appropriations by \$253,428. The increase in estimated resources was due to increases in tuition and fees revenue and intergovernmental revenue. The increase in estimated appropriations is due to increases in estimated expenses for regular instruction. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$3,158,527.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the School District had \$18,857,188 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and textbooks. Table 4 shows the fiscal year 2017 balances compared to 2016.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2017	2016
Land	\$257,668	\$257,668
Land Improvements	2,888,468	3,094,303
Buildings and Improvements	15,462,812	16,300,404
Furniture and Equipment	143,577	181,352
Vehicles	104,663	59,228
Totals	\$18,857,188	\$19,892,955

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

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Debt

At June 30, 2017, the School District had two outstanding General Obligation Bond issuances in the net amount of \$1,879,229 including accretion and premium. The 2006 bonds were issued to refund \$2,045,000 of outstanding 1999 School Improvement General Obligation Bonds. In June 2015, the District issued \$1,074,750 in bonds in order to finance a School Energy Performance Contract. The District has one capital lease obligation for an HVAC system. As of June 30, 2017, the outstanding balance of the lease was \$871,000. At June 30, 2017, the School District had Certificates of Participation outstanding in the amount of \$2,345,000. See Notes 12 and 13 to the basic financial statements for more detailed information relating to debt.

Current Economic Issues

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Chesapeake Union Exempted Village School District
Statement of Net Position
As of June 30, 2017

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 5,116,670
Accounts Receivable	512
Intergovernmental Receivable	198,206
Taxes Receivable	3,052,487
Noncurrent Assets:	
Non-Depreciable Capital Assets	257,668
Depreciable Capital Assets, net	18,599,520
<i>Total Assets</i>	27,225,063
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions:	
State Teachers Retirement System	2,959,521
School Employees Retirement System	887,105
Unamortized Deferred Amount on Refunding	47,014
<i>Total Deferred Outflows of Resources</i>	3,893,640
LIABILITIES:	
Current Liabilities:	
Accounts Payable	39,820
Accrued Wages and Benefits	1,111,410
Intergovernmental Payable	199,313
Accrued Interest Payable	8,020
Matured Compensated Absences Payable	17,795
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	423,452
Due in More Than One Year	
Net Pension Liability (See Note 9)	20,627,907
Other Amounts Due in More Than One Year	5,146,257
<i>Total Liabilities</i>	27,573,974
DEFERRED INFLOWS OF RESOURCES	
Pensions:	
State Teachers Retirement System	451,193
School Employees Retirement System	72,088
Property Taxes not Levied to Finance Current Year Operations	2,280,909
<i>Total Deferred Inflows of Resources</i>	2,804,190
NET POSITION:	
Net Investment in Capital Assets	14,099,381
Restricted for Debt Service	508,132
Restricted for Capital Outlay	290,728
Restricted for Other Purposes	76,398
Restricted for Classroom Facilities Maintenance	377,928
Unrestricted (Deficit)	(14,612,028)
<i>Total Net Position</i>	\$ 740,539

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

Chesapeake Union Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$ 7,639,110	\$ 726,310	\$ 152,678	\$ (6,760,122)
Special	1,343,242	92,153	1,566,395	315,306
Other	72,948	7,823	3,737	(61,388)
Support Services:				
Pupils	747,376	65,099	127,264	(555,013)
Instructional Staff	741,193	25,197	435,981	(280,015)
Board of Education	65,968	6,149	-	(59,819)
Administration	1,140,691	123,919	-	(1,016,772)
Fiscal	412,468	42,619	1,222	(368,627)
Operation and Maintenance of Plant	1,183,400	113,555	28,205	(1,041,640)
Pupil Transportation	941,259	95,276	15,494	(830,489)
Central	515,789	50,678	36,780	(428,331)
Operation of Non-Instructional Services	572,047	71,716	480,394	(19,937)
Extracurricular Activities	475,172	110,049	54,643	(310,480)
Interest and Fiscal Charges	217,981	7,820	-	(210,161)
<i>Total Governmental Activities</i>	<u>\$ 16,068,644</u>	<u>\$ 1,538,363</u>	<u>\$ 2,902,793</u>	(11,627,488)
General Revenues:				
Property Taxes Levied for:				
General Purposes				2,254,075
Debt Service				118,636
Classroom Facilities				38,609
Capital Projects				237,272
Grants and Entitlements, Not Restricted to Specific Programs				8,388,359
Gifts and Donations, Not Restricted to Specific Programs				33,503
Investment Earnings				3,380
Gain on Sale of Capital Assets				49,577
Miscellaneous				103,602
<i>Total General Revenues</i>				<u>11,227,013</u>
<i>Change in Net Position</i>				(400,475)
<i>Net Position Beginning of Year</i>				<u>1,141,014</u>
<i>Net Position End of Year</i>				<u>\$ 740,539</u>

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

Chesapeake Union Exempted Village School District
Balance Sheet
Governmental Funds
As of June 30, 2017

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,985,304	\$ 473,549	\$ 657,817	\$ 5,116,670
Accounts Receivable	512	-	-	512
Intergovernmental Receivable	86,018	-	112,188	198,206
Taxes Receivable	2,594,873	136,572	321,042	3,052,487
<i>Total Assets</i>	<u>\$ 6,666,707</u>	<u>\$ 610,121</u>	<u>\$ 1,091,047</u>	<u>\$ 8,367,875</u>
LIABILITIES:				
Accounts Payable	\$ 38,829	\$ -	\$ 991	\$ 39,820
Accrued Wages and Benefits	977,982	-	133,428	1,111,410
Intergovernmental Payable	175,717	-	23,596	199,313
Matured Compensated Absences Payable	17,310	-	485	17,795
<i>Total Liabilities</i>	<u>1,209,838</u>	<u>-</u>	<u>158,500</u>	<u>1,368,338</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	1,937,786	101,989	241,134	2,280,909
Unavailable Revenue - Delinquent Taxes	326,113	17,164	39,646	382,923
Unavailable Revenue - Grants	-	-	50,399	50,399
<i>Total Deferred Inflows of Resources</i>	<u>2,263,899</u>	<u>119,153</u>	<u>331,179</u>	<u>2,714,231</u>
FUND BALANCES:				
Restricted	-	490,968	697,209	1,188,177
Committed	11,000	-	-	11,000
Assigned	732,143	-	-	732,143
Unassigned (Deficit)	2,449,827	-	(95,841)	2,353,986
<i>Total Fund Balances</i>	<u>3,192,970</u>	<u>490,968</u>	<u>601,368</u>	<u>4,285,306</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 6,666,707</u>	<u>\$ 610,121</u>	<u>\$ 1,091,047</u>	<u>\$ 8,367,875</u>

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

Chesapeake Union Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2017*

Total Governmental Fund Balances \$ 4,285,306

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 18,857,188

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

Taxes	382,923	
Intergovernmental	50,399	
	50,399	

Total 433,322

The net pension liability is not due and payable in the current period;
 therefore, the liability and related deferred inflows/outflows are not
 reported in the funds.

Deferred outflows of resources related to pensions	3,846,626	
Deferred inflows of resources related to pensions	(523,281)	
Net Pension Liability	(20,627,907)	
	(20,627,907)	

Total (17,304,562)

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

Compensated Absences	(474,480)	
Interest Payable	(8,020)	
Unamortized Deferred Amount on Refunding	47,014	
Certificate of Participation	(2,345,000)	
Capital Leases	(871,000)	
General Obligation Bonds	(1,879,229)	
	(1,879,229)	

Total (5,530,715)

Net Position of Governmental Activities \$ 740,539

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

Chesapeake Union Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	\$ 2,231,340	\$ 117,439	\$ 273,612	\$ 2,622,391
Intergovernmental	9,406,875	25,412	1,818,264	11,250,551
Interest	3,380	-	-	3,380
Tuition and Fees	1,384,970	-	-	1,384,970
Extracurricular Activities	3,057	-	79,800	82,857
Gifts and Donations	33,503	-	9,572	43,075
Customer Sales and Services	-	-	70,536	70,536
Miscellaneous	84,952	-	18,650	103,602
<i>Total Revenues</i>	<u>13,148,077</u>	<u>142,851</u>	<u>2,270,434</u>	<u>15,561,362</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,436,424	-	174,025	6,610,449
Special	791,076	-	497,583	1,288,659
Other	72,613	-	-	72,613
Support Services:				
Pupils	572,354	-	145,259	717,613
Instructional Staff	232,279	-	500,000	732,279
Board of Education	57,464	-	-	57,464
Administration	1,064,449	-	-	1,064,449
Fiscal	359,553	4,258	9,918	373,729
Operation and Maintenance of Plant	1,017,340	-	32,347	1,049,687
Pupil Transportation	817,093	-	17,769	834,862
Central	461,487	-	42,180	503,667
Operation of Non-Instructional Services	100	-	549,803	549,903
Extracurricular Activities	231,822	-	62,667	294,489
Capital Outlay	-	-	121,481	121,481
Debt Service:				
Principal	111,450	160,000	130,000	401,450
Interest	73,084	23,783	79,900	176,767
<i>Total Expenditures</i>	<u>12,298,588</u>	<u>188,041</u>	<u>2,362,932</u>	<u>14,849,561</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>849,489</u>	<u>(45,190)</u>	<u>(92,498)</u>	<u>711,801</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	114,485	114,485
Proceeds from Sale of Capital Assets	55	-	99,750	99,805
Transfers Out	(114,485)	-	-	(114,485)
<i>Total Other Financing Sources and Uses</i>	<u>(114,430)</u>	<u>-</u>	<u>214,235</u>	<u>99,805</u>
<i>Net Change in Fund Balances</i>	735,059	(45,190)	121,737	811,606
<i>Fund Balances at Beginning of Year</i>	<u>2,457,911</u>	<u>536,158</u>	<u>479,631</u>	<u>3,473,700</u>
<i>Fund Balances at End of Year</i>	<u>\$ 3,192,970</u>	<u>\$ 490,968</u>	<u>\$ 601,368</u>	<u>\$ 4,285,306</u>

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

Chesapeake Union Exempted Village School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds \$ 811,606

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

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

Capital Asset Additions	127,805	
Current Year Depreciation	(1,113,344)	
Total	(985,539)	(985,539)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the proceeds from the sale of capital assets and the gain on the disposal of capital assets.

Proceeds from Sale of Capital Assets	(99,805)	
Gain on Disposal of Capital Assets	49,577	
Total	(50,228)	(50,228)

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

Taxes	26,201	
Intergovernmental	31,029	
Total	57,230	57,230

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

346,450

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

55,000

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

796

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

15,164

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

(10,510)

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

(46,664)

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

995,976

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

(1,568,326)

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

Increase in Compensated Absences		(21,430)
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Net Change in Net Position of Governmental Activities **\$ (400,475)**

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

Chesapeake Union Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	\$ 12,809,757	\$ 13,218,825	\$ 13,218,825	\$ -
Total Expenditures and Other Financing Uses	13,026,840	13,280,268	13,280,268	-
Net Change in Fund Balance	(217,083)	(61,443)	(61,443)	-
Fund Balance at Beginning of Year	2,805,243	2,805,243	2,805,243	-
Prior Year Encumbrances Appropriated	414,727	414,727	414,727	-
Fund Balance at End of Year	\$ 3,002,887	\$ 3,158,527	\$ 3,158,527	\$ -

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

Chesapeake Union Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
As of June 30, 2017

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 19,052</u>
LIABILITIES:	
Due to Students	<u>\$ 19,052</u>

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

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1926 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 36 square miles. It is located in Lawrence County, and includes all of Union Township. It is staffed by 64 non-certificated employees and 98 certificated full-time teaching personnel who provide services to 1,308 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one maintenance building.

Reporting Entity:

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

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

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

- * Boosters Clubs
- * Parent Teacher Organizations

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Bond Retirement Fund

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

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

Fiduciary Funds

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

Measurement Focus

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

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

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds as of June 30, 2017 and for pensions. The deferred outflows of resources related to the pension are explained in Note 9. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are reported on the Statement of Net Position. (See Note 9)

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignation and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect amounts in the certificate of estimated resources at the time the permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2017.

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

E. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2017 amounted to \$3,380 in the General Fund.

F. Capital Assets and Depreciation

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

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

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets and Depreciation (continued)

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not capitalize interest for capital asset purchases.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years
Textbooks	6-15 years

G. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net position. There were no interfund balances as of June 30, 2017.

H. Compensated Absences

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

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

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

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

I. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, special termination benefits, and pension liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the government-wide financial statements when due.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Fund Balance

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

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

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

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

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

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

K. Estimates

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

L. Net Position

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

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide statement of net position reports \$1,253,186 in restricted net position, none of which is restricted by enabling legislation.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Interfund Transactions

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

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

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

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

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance	
GAAP Basis	\$ 735,059
Revenue Accruals	104,205
Expenditure Accruals	(206,677)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	1,091
Encumbrances	<u>(695,121)</u>
Budget Basis	<u>\$ (61,443)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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 security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

However, as of June 30, 2017, of the School District's bank balance of \$5,176,441, \$801,090 was secured by FDIC coverage, which left the remaining balance of \$4,375,351 exposed to custodial credit risk because it was uninsured and uncollateralized by the financial institution.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

	<u>2016 Second-Half Collections</u>		<u>2017 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 109,573,440	90.45%	\$ 119,945,440	90.95%
Public Utility	11,562,530	9.55%	11,938,650	9.05%
Total Assessed Value	<u>\$ 121,135,970</u>	<u>100.00%</u>	<u>\$ 131,884,090</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 22.50		\$ 22.50	

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2017, was \$330,974 in the General Fund, \$17,419 in the Bond Retirement Fund, \$5,423 in the non-major Classroom Facilities Maintenance Fund, and \$34,839 in the non-major Permanent Improvement Fund.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 6 - RECEIVABLES

Receivables at June 30, 2017, consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Major Fund:	
General	\$ 86,018
Non-Major Special Revenue Funds:	
Food Service	9,920
Title I	30,446
Title VI-B	57,574
Miscellaneous Grants	14,248
Total Non-Major Special Revenue Funds	<u>112,188</u>
Total All Funds/Governmental Activities	<u><u>\$ 198,206</u></u>

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Ending Balance 6/30/2016	Additions	Deletions	Ending Balance 6/30/2017
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 257,668	\$ -	\$ -	\$ 257,668
Total Capital Assets, Not Being Depreciated	<u>257,668</u>	<u>-</u>	<u>-</u>	<u>257,668</u>
Capital Assets Being Depreciated				
Land Improvements	4,310,141	-	(80,689)	4,229,452
Buildings and Improvements	29,945,610	50,015	(389,854)	29,605,771
Furniture and Equipment	799,021	-	-	799,021
Vehicles	853,415	77,790	-	931,205
Textbooks	972,141	-	-	972,141
Total Capital Assets Being Depreciated	<u>36,880,328</u>	<u>127,805</u>	<u>(470,543)</u>	<u>36,537,590</u>
Less: Accumulated Depreciation:				
Land Improvements	(1,215,838)	(200,864)	75,718	(1,340,984)
Buildings and Improvements	(13,645,206)	(842,350)	344,597	(14,142,959)
Furniture and Equipment	(617,669)	(37,775)	-	(655,444)
Vehicles	(794,187)	(32,355)	-	(826,542)
Textbooks	(972,141)	-	-	(972,141)
Total Accumulated Depreciation	<u>(17,245,041)</u>	<u>(1,113,344)</u>	<u>420,315</u>	<u>(17,938,070)</u>
Total Capital Assets Being Depreciated, Net	<u>19,635,287</u>	<u>(985,539)</u>	<u>(50,228)</u>	<u>18,599,520</u>
Governmental Capital Assets, Net	<u>\$ 19,892,955</u>	<u>\$ (985,539)</u>	<u>\$ (50,228)</u>	<u>\$ 18,857,188</u>

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$788,108
Special	2,723
Support Services:	
Instructional Staff	9,028
Board of Education	8,504
Administration	2,814
Operation and Maintenance of Plant	96,146
Pupil Transportation	33,087
Operation of Non-Instructional Services	10,081
Extracurricular Activities	162,853
Total Depreciation Expense	<u><u>\$1,113,344</u></u>

The School District's capital assets reported above include \$5,329,570 in fully depreciated capital assets that are still being utilized by the School District.

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with Wells Fargo Insurance Services. Coverage provided is as follows:

Commercial Property Coverage	\$41,066,667
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	2,000,000

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

For fiscal year 2017, the School District participated in the Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to improve safety, accident prevention, and claims handling for the School District. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control, and actuarial services to the GRP.

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

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire allocation was designated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2017.

The School District’s contractually required contribution to SERS was \$239,556 for fiscal year 2017. Of this amount \$16,899 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 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 years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year June 30, 2017, the employer rate was 14% and the member rate was 14% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$756,420 for fiscal year 2017. Of this amount \$134,312 is reported as an intergovernmental payable.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability reported as of June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0471409%	0.05131784%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0481101%</u>	<u>0.05099761%</u>	
Change in Proportionate Share Proportion of the Net Pension Liability	<u>-0.0009692%</u>	<u>0.00032023%</u>	
Pension Expense	\$3,450,279	\$17,177,628	\$20,627,907
	\$477,236	\$1,091,090	\$1,568,326

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$46,536	\$694,059	\$740,595
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	86,090	82,838	168,928
Changes of assumptions	230,325	-	230,325
Differences between projected and actual investment earnings	284,598	1,426,204	1,710,802
School District contributions subsequent to the measurement date	<u>239,556</u>	<u>756,420</u>	<u>995,976</u>
Total	<u>\$887,105</u>	<u>\$2,959,521</u>	<u>\$3,846,626</u>

Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>\$ 72,088</u>	<u>\$ 451,193</u>	<u>\$ 523,281</u>
Total	<u>\$72,088</u>	<u>\$451,193</u>	<u>\$523,281</u>

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

\$995,976 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$154,216	\$195,114	\$349,330
2019	153,528	195,116	348,644
2020	185,906	775,085	960,991
2021	<u>81,811</u>	<u>586,593</u>	<u>668,404</u>
Total	<u>\$575,461</u>	<u>\$1,751,908</u>	<u>\$2,327,369</u>

Actuarial Assumptions - SERS

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

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

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

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

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

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.

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

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (continued)

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75% was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,567,954	\$3,450,279	\$2,514,738

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return*</u>
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>	

* Includes the real rate of return and inflation of 2.5% and does not include investment expense. The total long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$22,827,672	\$17,177,628	\$12,411,483

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2017, three of the School District's members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were \$0 for each year, which equaled the required contributions each year.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2017, 2016, and 2015 fiscal years equaled \$26,743, \$34,743, and \$55,142, respectively; which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 11 - EMPLOYEE BENEFITS (continued)

C. Deferred Compensation

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

NOTE 12 - LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2017 were as follows:

	Principal Outstanding 7/1/2016	Additions	Deletions	Principal Outstanding 6/30/2017	Due in One Year
General Obligation Bonds:					
2006 School Improvement Refundings Bonds \$2,044,996					
Term Bonds - \$1,385,000 @ 3.6%-4.1%	\$ 675,000	\$ -	\$ 160,000	\$ 515,000	\$ 165,000
Capital Appreciation Bonds - \$49,996 @ 4.3%-4.5%	49,996	-	-	49,996	-
Accretion of Interest - \$470,004 @ 17.58%	243,744	46,664	-	290,408	-
Premium - \$218,538	74,763	-	13,659	61,104	-
2015 Limited-Tax General Obligation Bonds					
Term Bonds - \$1,074,750 @ 3.52%	999,600	-	56,450	943,150	58,450
Premium - \$22,581	21,076	-	1,505	19,571	-
Total General Obligation Bonds	<u>2,064,179</u>	<u>46,664</u>	<u>231,614</u>	<u>1,879,229</u>	<u>223,450</u>
Net Pension Liability:					
STRS	14,094,248	3,083,380	-	17,177,628	-
SERS	2,745,209	705,070	-	3,450,279	-
Total Net Pension Liability	<u>16,839,457</u>	<u>3,788,450</u>	<u>-</u>	<u>20,627,907</u>	<u>-</u>
Capital Leases	926,000	-	55,000	871,000	57,300
Certificates of Participation	2,475,000	-	130,000	2,345,000	135,000
Compensated Absences	453,050	769,963	748,533	474,480	7,702
Total Long-Term Liabilities	<u>\$ 22,757,686</u>	<u>\$ 4,605,077</u>	<u>\$ 1,165,147</u>	<u>\$ 26,197,616</u>	<u>\$ 423,452</u>

2006 School Improvement Refunding General Obligation Bonds – On December 21, 2005, the Chesapeake Union Exempted Village School District issued \$2,044,996 of General Obligation Bonds which included serial, term, and capital appreciation (deep discount) bonds in the amount of \$610,000, \$1,385,000, and \$49,996, respectively. The term bonds are subject to optional redemption and the capital appreciation bonds are not subject to redemption prior to scheduled maturity. The bonds were issued to refund \$2,045,000 of outstanding 1999 School Improvement General Obligation Bonds. The bonds were issued for a 16 year period with final maturity at December 1, 2022. At the date of refunding, \$2,213,148 (including premium and after underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 1999 School Improvement Bonds. As of June 30, 2017, \$515,000 of the refunded bonds is still outstanding. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

These refunding bonds were issued with a premium of \$218,538 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2017 was \$13,659. The issuance costs of \$50,386 were expensed. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$168,152. This difference is recorded as a deferred outflow of resources on the Statement of Net Position and is being amortized over the life of the refunded debt.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 12 - LONG-TERM LIABILITIES (continued)

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

The capital appreciation bonds for this issue mature December 1, 2018 through December 1, 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$520,000. For fiscal year 2017, \$46,664 was accreted for a total capital appreciation bond liability of \$340,404.

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

These bonds were issued with a premium of \$22,581 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2017 was \$1,505. The issuance costs of \$22,581 were expensed.

Principal and interest requirements to retire bonds outstanding at June 30, 2017 are as follows:

Fiscal year Ending June 30,	2006 School Improvement Refunding Bonds				2015 General Obligation Bonds	
	Serial and Term Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Accretion	Principal	Interest
2018	\$ 165,000	\$ 17,526	\$ -	\$ -	\$ 58,450	\$ 32,170
2019	-	14,350	19,195	150,805	60,500	30,077
2020	-	14,350	16,695	158,305	62,650	27,909
2021	-	14,350	14,106	160,893	64,850	25,665
2022	170,000	10,865	-	-	67,150	23,342
2023-2027	180,000	3,690	-	-	372,850	78,896
2028-2030	-	-	-	-	256,700	13,764
Totals	<u>\$ 515,000</u>	<u>\$ 75,131</u>	<u>\$ 49,996</u>	<u>\$ 470,003</u>	<u>\$ 943,150</u>	<u>\$ 231,823</u>

The School District's overall debt margin was \$10,361,422, with an unvoted debt margin of \$131,884, at June 30, 2017.

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

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. Capital Lease Obligation

During a previous fiscal year, the School District entered into a lease-purchase agreement for the installation of a new Heating, Ventilation, and Air Conditioning (HVAC) system in the amount of \$1,028,300. The School District is leasing the equipment from T.M.I. Energy Solutions and will retain title to the project during the lease term. This project was financed with Huntington National Bank and the School District is making annual lease payments each December. The interest rate is fixed at 4.20 percent and expires in fiscal year 2029. At the end of fiscal year 2017, the outstanding balance of the lease was \$871,000. The lease is being repaid from the General Fund.

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

Fiscal Year Ending June 30,	Total Payments
2018	\$93,882
2019	93,875
2020	93,868
2021	93,856
2022	93,934
2023-2027	469,437
2028-2029	187,801
Total	1,126,653
Less: Amount Representing Interest	(255,653)
Present Value of Minimum Lease Payments	<u>\$871,000</u>

B. Certificates of Participation

During fiscal year 2013, the School District entered into certificates of participation to finance the construction of an athletic complex. The School District is leasing the projects from PS&W Holding Company, Inc. PS&W Holding Company, Inc. will retain title to the project during the certificate term. PS&W Holding Company, Inc. has assigned US Bank as trustee. The School District is making semi-annual payments to US Bank. Principal payments in fiscal year 2017 totaled \$130,000 in the governmental funds. This debt is being repaid from the Permanent Improvement Fund.

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2017:

Fiscal Year Ending June 30:	Principal	Interest	Total
2018	\$135,000	\$77,250	\$212,250
2019	140,000	73,800	213,800
2020	145,000	69,525	214,525
2021	145,000	65,175	210,175
2022	155,000	60,675	215,675
2023-2027	835,000	224,101	1,059,101
2028-2032	660,000	84,121	744,121
2033	130,000	2,519	132,519
Total	<u>\$2,345,000</u>	<u>\$657,166</u>	<u>\$3,002,166</u>

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 14 - INTERFUND TRANSFERS

As of June 30, 2017, transfers were as follows:

	<u>Transfer To</u>	<u>Transfer From</u>
Major Fund:		
General Fund	\$ -	\$ 114,485
Non-Major Funds:		
Food Service	110,374	-
Athletic	4,111	-
Total All Funds	<u>\$ 114,485</u>	<u>\$ 114,485</u>

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

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

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

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$93,039 for services provided during the fiscal year.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META \$0 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Lawrence County Academy - The School District is a participant in the Lawrence County Academy, a jointly governed, nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a seven-member Board of Directors. The Board membership consists of superintendents from Chesapeake Union Exempted Village School District, Fairland Local School District, Dawson Bryant Local School District, South Point Local School District, Symmes Valley Local School District, Ironton City School District, and Rock Hill Local School District. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

As of June 30, 2017, the Academy did cease operations. However, financial information can be obtained from Chris Robinson, fiscal agent for the Lawrence County Academy, at the Rock Hill Local School District, 2325A County Road 26, Ironton, Ohio 45638.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The School District's membership fee was \$325 for fiscal year 2017. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

NOTE 16 - INSURANCE PURCHASING AND SHARED RISK POOLS

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

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

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS

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

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2016	\$ -
Current year set-aside requirement	249,540
Current year offsets	(89,607)
Current year qualifying expenditures	<u>(159,933)</u>
Set-aside Balance as of June 30, 2017	<u><u>\$ -</u></u>

NOTE 18 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The School District is not currently party to legal proceedings.

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school 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 did finalize its adjustments for the fiscal year and the resulting adjustments were not material to the School District to require reporting a receivable or payable at year end on the financial statements.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 19 – ACCOUNTABILITY AND COMPLIANCE

Accountability - Fund Balance Deficits

At June 30, 2017, the Food Service, Title VI-B, Title I, and Title VI-R nonmajor special revenue funds had fund balance deficits of \$33,791, \$22,689, \$22,411, and \$16,950, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

Contrary to Ohio Rev. Code 135.18, the School District had deposits in the amount of \$4,375,351 at yearend that were not properly secured by pooled or pledged collateral at City National Bank.

NOTE 20 – FUND BALANCES

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for				
Other Purposes	\$ -	\$ -	\$ 24,286	\$ 24,286
Classroom Facilities Maintenance	-	-	372,610	372,610
Miscellaneous Federal Grants	-	-	43,913	43,913
Capital Projects	-	-	256,400	256,400
Debt Services Payments	-	490,968	-	490,968
Total Restricted	-	490,968	697,209	1,188,177
Committed to				
Underground Storage Tanks	11,000	-	-	11,000
Total Committed	11,000	-	-	11,000
Assigned to				
Other Purposes	732,143	-	-	732,143
Unassigned (Deficit)				
	2,449,827	-	(95,841)	2,353,986
Total Fund Balances	\$ 3,192,970	\$ 490,968	\$ 601,368	\$ 4,285,306

NOTE 21 –NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School District as there were no tax abatements in effect.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 22 – COMMITMENTS

A. Contractual

As of June 30, 2017, the School District's contractual purchase commitments for School District improvements are as follows:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/17</u>
T.M.I. Energy Solutions	\$357,339	\$0	\$357,339

B. Encumbrances

At June 30, 2017, the School District had encumbrance commitments in governmental fund as follows:

<u>Fund</u>	<u>Amount</u>
Major Fund:	
General	\$695,121
Non-Major Funds:	
Permanent Improvement	46,761
Classroom Facilities Maintenance	<u>146,323</u>
Total Non-Major Funds	<u>193,084</u>
Total Encumbrances	<u><u>\$888,205</u></u>

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

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

(1) Information prior to 2013 is not available.

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

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

(1) Information prior to 2013 is not available.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 239,556	\$ 252,966	\$ 190,889	\$ 183,340	\$ 223,518	\$ 208,547	\$ 180,515	\$ 245,488	\$ 150,072	\$ 119,514
Contributions in relation to the contractually required contribution	(239,556)	(252,966)	(190,889)	(183,340)	(223,518)	(208,547)	(180,515)	(245,488)	(150,072)	(119,514)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 1,711,114	\$ 1,806,900	\$ 1,448,323	\$ 1,322,799	\$ 1,615,014	\$ 1,550,535	\$ 1,436,078	\$ 1,813,058	\$ 1,525,122	\$ 1,217,047
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 756,420	\$ 743,232	\$ 744,904	\$ 706,391	\$ 685,633	\$ 790,495	\$ 725,407	\$ 803,088	\$ 765,343	\$ 707,869
Contributions in relation to the contractually required contribution	(756,420)	(743,232)	(744,904)	(706,391)	(685,633)	(790,495)	(725,407)	(803,088)	(765,343)	(707,869)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 5,403,000	\$ 5,308,800	\$ 5,320,743	\$ 5,433,607	\$ 5,274,100	\$ 6,080,731	\$ 5,580,054	\$ 6,177,600	\$ 5,887,254	\$ 5,445,146
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Chesapeake Union Exempted Village School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

SERS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rate, and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

STRS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financials for the methods and assumptions in this calculation.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Pass Through Grant Year	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	N/A	2016 / 2017	\$ -	\$ 26,159
Cash Assistance:					
School Breakfast Program	10.553	N/A	2016 / 2017	-	102,923
National School Lunch Program	10.555	N/A	2016 / 2017	-	258,182
Total Child Nutrition Cluster					<u>361,105</u>
Total U.S. Department of Agriculture				-	<u>387,264</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Title I Grants to Local Educational Agencies	84.010	N/A	2016	-	42,700
		N/A	2017	-	251,174
Total Title I Grants to Local Educational Agencies					<u>293,874</u>
Special Education Cluster:					
Special Education Grants to States	84.027	N/A	2016	-	17,765
		N/A	2017	-	261,069
Total Special Education Cluster:					<u>278,834</u>
Twenty-First Century Community Learning Centers	84.287	N/A	2017	-	500,000
Supporting Effective Instruction State Grants	84.367	N/A	2016	-	7,398
		N/A	2017	-	95,142
Total Supporting Effective Instruction State Grants					<u>102,540</u>
Total U.S. Department of Education				-	<u>1,175,248</u>
Total Expenditures of Federal Awards				<u>\$ -</u>	<u>\$ 1,562,512</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Chesapeake Union Exempted Village School District (the School District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chesapeake Union Exempted Village School District, Lawrence County, (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 22, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

School District's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2018



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Chesapeake Union Exempted Village School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Chesapeake Union Exempted Village School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Chesapeake Union Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2018

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 135.18, § 135.181 and § 135.182 require that each institution designated as a public depository and awarded public deposits, shall provide security for the repayment of all public deposits by securing all uninsured public deposits of each public depositor separately (Ohio Rev. Code § 135.18(A)(1)), or as applicable to Ohio Rev. Code §§ 135.181 or 135.182 by establishing and pledging to the treasurer of state a single pool of collateral for the benefit of every public depositor (Ohio Rev. Code § 135.18(A)(2)). If a public depository elects to provide security pursuant to Ohio Rev. Code § 135.18(A)(1), the public depository must pledge eligible securities and equal to at least one hundred five per cent.

**FINDING NUMBER 2017-001
(Continued)**

The School District changed banks in September 2016. At that time, it entered into an agreement with City National Bank to hold its deposits. The bank agreed in its banking agreement to provide sufficient collateral for funds. However, the bank did not provide any type of pledged or pooled collateral to cover the School District's deposits from the time the accounts were opened thru the end of the fiscal year, June 30, 2017. This left the School District's balances unsecured throughout the year, except for FDIC coverage. At year end, of the total bank deposits of \$5,176,441, \$4,375,351 were unsecured. This resulted in deposits being unsecured and at risk of loss.

We recommend the School District review all financial institution deposit balances and ensure there is proper and adequate pledged or pooled collateral in place.

Officials' Response:

Chesapeake Union Exempted Village School District has a Memorandum of Agreement for Deposit of Public Funds with City National Bank for the period of July 1, 2016 through June 30, 2021. The agreement states that the bank will secure public funds up to the amount on deposit at any time. When the School District started using City National for primary banking functions in September 2016, the bank failed to issue a Surety Bond. When this was brought to the School District's attention and the bank was questioned, the bank agreed, in writing, that they would have been obligated to accept the responsibility of covering 100% of the School District's balances. This would have been City National's fiduciary responsibility under ORC Chapter 135 and according to the Agreement for Deposit of Public Funds. To correct the problem, a Surety Bond was issued effective November 1, 2017 and is currently in place in the amount of \$6,000,000.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**Chesapeake Union Exempted Village School District
Lawrence County**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	School District contacted bank and obtained adequate pledged collateral for School Deposits.	November 2017	Sue Dial, Treasurer

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Dave Yost • Auditor of State

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2018