



OHIO AUDITOR OF STATE  
**KEITH FABER**





**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2018**

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COLUMBIANA COUNTY  
JUNE 30, 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

Columbiana Exempted Village School District  
Columbiana County  
700 Columbiana-Waterford Road  
Columbiana, Ohio 4408

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 Columbiana Exempted Village School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 Columbiana Exempted Village School District, Columbiana County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

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

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

April 24, 2019

## Columbiana Exempted Village School District

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

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

### **Financial Highlights**

Key financial highlights for 2018 are as follows:

- ❖ Net position increased in fiscal year 2018 due mainly to changes in the net pension liability, the net OPEB liability and the deferred outflows and deferred inflows of resources associated with these liabilities. Net position also increased due to (1) an increase in net capital assets attributed to current year additions exceeding annual depreciation and (2) a drop in long-term debt obligations resulting from the continued pay-down of debt.
- ❖ Total program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. Program expenses excluding amounts related to the net pension and net OPEB liabilities decreased by approximately \$125,000 due to lower purchased service and materials and supplies costs during fiscal year 2018.
- ❖ The School District's enrollment decreased from 1,030 students in fiscal year 2017 to 981 students in fiscal year 2018.

### **Using this Annual Financial Report**

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

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

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

#### *Statement of Net Position and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2018?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all *assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## Columbiana Exempted Village School District

*Management's Discussion and Analysis*

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*Unaudited*

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

In the *Statement of Net Position* and the *Statement of Activities*, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and permanent improvement 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 an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or 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.

**Proprietary Funds** The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for unanticipated run-off claims.

**Fiduciary Funds** The School District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

### **The School District as a Whole**

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017:



## Columbiana Exempted Village School District

*Management's Discussion and Analysis*

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*Unaudited*

**Table 1**  
**Net Position**

	2018	2017	Change
<b>Assets:</b>			
Current and Other Assets	\$9,889,202	\$10,023,286	(\$134,084)
Capital Assets, Net	12,842,870	12,681,605	161,265
<i>Total Assets</i>	<u>22,732,072</u>	<u>22,704,891</u>	<u>27,181</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding	249,564	273,332	(23,768)
Pension	4,567,734	3,154,805	1,412,929
OPEB	287,528	18,884	268,644
<i>Total Deferred Outflows of Resources</i>	<u>5,104,826</u>	<u>3,447,021</u>	<u>1,657,805</u>
<b>Liabilities:</b>			
Current and Other Liabilities	1,107,875	1,163,738	55,863
Long-term Liabilities			
Due within One Year	616,213	575,011	(41,202)
Due in More Than One Year			
Net Pension Liability	12,360,877	15,904,377	3,543,500
Net OPEB Liability	2,659,970	3,134,566	474,596
Other Amounts	13,143,655	13,666,676	523,021
<i>Total Liabilities</i>	<u>29,888,590</u>	<u>34,444,368</u>	<u>4,555,778</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	4,093,542	3,945,037	(148,505)
Pension	428,249	0	(428,249)
OPEB	302,501	0	(302,501)
<i>Total Deferred Inflows of Resources</i>	<u>4,824,292</u>	<u>3,945,037</u>	<u>(879,255)</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	1,039,111	362,977	676,134
Restricted:			
Capital Projects	797,047	866,952	(69,905)
Other Purposes	119,247	104,576	14,671
Unrestricted (Deficit)	<u>(8,831,389)</u>	<u>(13,571,998)</u>	<u>4,740,609</u>
<i>Total Net Position</i>	<u>(\$6,875,984)</u>	<u>(\$12,237,493)</u>	<u>\$5,361,509</u>

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may

## Columbiana Exempted Village School District

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

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not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$9,121,811) to (\$12,237,493).

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*Management's Discussion and Analysis*

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*Unaudited*

Total current and other assets decreased due mainly to a drop in cash and cash equivalents and intergovernmental receivables. Cash and cash equivalents decreased despite an increase in revenues, specifically property taxes and tuition and fees, as instructional and support service costs continued to exceed total revenues. Intergovernmental receivables dropped due to lower restricted grants and entitlements outstanding at fiscal year end. Net capital assets increased as a result of current year additions outpacing current year depreciation.

Current liabilities decreased due to a reduction in intergovernmental payables attributed to lower accrued pension expenses. Long-term debt obligations decreased from the continued pay-down of debt. Net position increased significantly due to changes in the net pension liability and net OPEB liability and the deferred outflows and deferred inflows of resources associated with these liabilities.

Table 2 shows the change in net position for fiscal years 2018 and 2017.

**Table 2**  
**Change in Net Position**

	2018	2017	Change
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services and Sales	\$2,154,651	\$2,084,485	\$70,166
Operating Grants, Interest and Contributions	1,236,901	1,335,312	(98,411)
Capital Grants	104,448	104,561	(113)
<i>Total Program Revenues</i>	<u>3,496,000</u>	<u>3,524,358</u>	<u>(28,358)</u>
<i>General Revenues</i>			
Property Taxes	4,360,818	4,186,215	174,603
Income Taxes	1,868,290	1,861,920	6,370
Grants and Entitlements	3,512,210	3,588,125	(75,915)
Unrestricted Contributions	22,949	6,498	16,451
Investment Earnings	4,485	10,126	(5,641)
Miscellaneous	4,006	3,676	330
<i>Total General Revenues</i>	<u>9,772,758</u>	<u>9,656,560</u>	<u>116,198</u>
<b>Total Revenues</b>	<u>13,268,758</u>	<u>13,180,918</u>	<u>87,840</u>
<b>Program Expenses</b>			
Instruction	3,913,363	8,111,525	4,198,162
Support Services:			
Pupil and Instructional Staff	564,323	1,059,686	495,363
Board of Education, Administration and Fiscal	732,989	1,428,179	695,190
Operation and Maintenance of Plant	756,986	808,289	51,303
Pupil Transportation	416,634	480,235	63,601
Central	11,480	11,469	(11)
Food Service Operations	296,685	305,264	8,579
Extracurricular Activities	587,836	706,804	118,968
Interest and Fiscal Charges	626,953	640,288	13,335
<b>Total Program Expenses</b>	<u>7,907,249</u>	<u>13,551,739</u>	<u>5,644,490</u>
Change in Net Position	5,361,509	(370,821)	5,732,330
<i>Net Position Beginning of Year - Restated</i>	<u>(12,237,493)</u>	N/A	
<i>Net Position End of Year</i>	<u>(\$6,875,984)</u>	<u>(\$12,237,493)</u>	<u>\$5,361,509</u>

**Columbiana Exempted Village School District**

*Management's Discussion and Analysis*

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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$18,884 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$417,150. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$7,907,249
Negative OPEB expense under GASB 75	417,150
2018 contractually required contribution	<u>23,589</u>
Adjusted 2018 program expenses	8,347,988
Total 2017 program expenses under GASB 45	<u>13,551,739</u>
Decrease in program expenses not related to OPEB	<u><u>(\$5,203,751)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 13) As a result of these changes, pension expense decreased from \$1,358,379 in fiscal year 2017 to a negative pension expense of \$3,712,775 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

<b>Program Expenses</b>	<b>2018 Program Expenses Related to Negative Pension Expense</b>
Instruction:	
Regular	(\$2,383,140)
Special	(574,940)
Vocational	(61,861)
Support Services:	
Pupils	(142,529)
Instructional Staff	(2,233)
Board of Education	(39)
Administration	(490,775)
Fiscal	(778)
Operation and Maintenance of Plant	(1,191)
Pupil Transportation	(603)
Operation of Non-Instructional Services:	
Food Service Operations	(55)
Extracurricular Activities	<u>(54,631)</u>
Total Expenses	<u><u>(\$3,712,775)</u></u>

## Columbiana Exempted Village School District

*Management's Discussion and Analysis*

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*Unaudited*

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Total revenues increased in fiscal year 2018 due mainly to increases in charges for services and property taxes. Charges for services went up as a result of higher tuition and fees revenue. Property taxes were higher in fiscal year 2018 due to an increase in assessed property tax values.

Program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. As mentioned previously, pension expense decreased by \$5,071,154 attributable to changes in the net pension liability. The recording of a net OPEB liability resulted in an additional \$417,150 decrease to program expenses. Changes in deferred outflows relating to payments made subsequent to the measurement date resulted in a decrease of \$31,420 to program expenses as well.

Program expenses excluding amounts related to the net pension/OPEB liabilities and related payments subsequent decreased by \$124,766 due to lower purchased service and materials and supplies costs during fiscal year 2018.

The School District is at the 20 mill floor for property taxes so it realizes growth in tax revenue after each reappraisal during normal economic times. However, indications are, due to current economic conditions, growth will be minimal for the next several years. Also, as new homes are built, the School District will realize growth in both property tax revenue and School District income tax revenue.

The School District is a member of the Portage Area School Consortium. The Consortium is a shared risk pool created pursuant to State statute for the purpose of maximizing benefits and/or reducing costs of health care benefits. To date the Consortium has been an overwhelming success.

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases resulting from new construction. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. The negative amounts indicated in Table 3 should not be construed as something bad; they are merely indicative of whether a particular function of the government relies on general revenues for financing or is a net contributor of resources to the School District. The community, as a whole, is by far the primary support for Columbiana Exempted Village School District students.

## Columbiana Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

**Table 3**  
**Cost of Services**

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	\$3,913,363	(\$1,708,695)	\$8,111,525	(\$5,922,524)
Support Services:				
Pupil and Instructional Staff	564,323	(420,250)	1,059,686	(832,541)
Board of Education, Administration and Fiscal	732,989	(486,243)	1,428,179	(1,196,047)
Operation and Maintenance of Plant	756,986	(541,552)	808,289	(673,958)
Pupil Transportation	416,634	(356,569)	480,235	(416,778)
Central	11,480	(9,684)	11,469	(9,677)
Food Service Operations	296,685	(32,864)	305,264	(13,681)
Extracurricular Activities	587,836	(228,439)	706,804	(321,887)
Interest and Fiscal Charges	626,953	(626,953)	640,288	(640,288)
<i>Total</i>	<u>\$7,907,249</u>	<u>(\$4,411,249)</u>	<u>\$13,551,739</u>	<u>(\$10,027,381)</u>

### The School District's Funds

These governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,246,450 and expenditures of \$13,468,600. Despite an increase in revenues, the general fund saw a decrease in fund balance resulting from significantly higher operation and maintenance expenditures relating to costs for a new HVAC system for the middle school. The permanent improvement capital projects fund saw a decrease in fund balance due to higher debt service expenditures in the current year.

### 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 fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal 2018, the School District amended its general fund budget numerous times, none significant. The School District uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue was higher than the original budget estimate due mainly to increases in property taxes, intergovernmental monies and tuition and fees revenues as the Administration adjusted estimates.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in instructional as well as support services due to higher estimated expenditures as the School District's current year requirements became more apparent.

## **Columbiana Exempted Village School District**

*Management's Discussion and Analysis*

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### **Capital Assets**

Capital assets increased during fiscal year 2018 due to current year additions outpacing annual depreciation. Current year additions included computer equipment and a new HVAC system for the middle school that was completed during fiscal year 2018. The School District continues its ongoing commitment to maintaining and improving its capital assets. More detailed information is presented in Note 12 of the notes to the basic financial statements.

### **Debt Administration**

Debt outstanding as of June 30, 2018 included certificates of participation, qualified school construction bonds, limited tax general obligation bonds and capital lease for buses. The School District's overall legal debt margin was \$17,142,226 with an unvoted debt margin of \$196,327 at June 30, 2018. The debt is well within permissible limits. The School District maintains an A bond rating from Standard and Poors. More detailed information is presented in Note 16 of the notes to the basic financial statements.

### **Current Financial Related Activities**

Columbiana Exempted Village School District has continued to maintain the highest standards of services to our students, parents and community at one of the lowest costs in Columbiana County. As with all school districts in the State of Ohio, State funding issues are constantly monitored to determine the impact on the School District. As the preceding information shows, the School District is heavily reliant on property and income taxes and State aid to provide the funds necessary to maintain its educational programs.

Management must continue to diligently plan expenses, staying carefully within the School District's financial forecast. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon on the life of the levies. The School District's May 2018 five-year forecast projects the School District being in the black throughout the next five years, however, expenses are expected to exceed revenues every year throughout the forecast period decreasing cash balances. Plans are already in place to address this through staffing and monitoring of expenses. All of the School Districts' financial abilities will be needed to meet the challenges of the future.

The Columbiana School District continues to be a top rated district in Columbiana County and Northeastern Ohio. The Columbiana South Side Middle School was named a National Blue Ribbon School in 2015-2016 and the Columbiana High School shared that same status in 2008-2009. The District's annual test scores are among the highest in Columbiana, Mahoning and Trumbull counties year in and year out. The School District takes pride in the achievements of our students and staff while striving to provide the best academic and extra-curricular opportunities for students.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathy Davies, Treasurer, Columbiana Exempted Village School District, 700 Columbiana-Waterford Road, Columbiana, Ohio 44408.

**Columbiana Exempted Village School District**

*Statement of Net Position*

*June 30, 2018*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,578,141
Cash and Cash Equivalents with Fiscal Agents	97,439
Accrued Interest Receivable	9,484
Accounts Receivable	1,138
Intergovernmental Receivable	134,646
Prepaid Items	19,887
Property Taxes Receivable	4,314,778
Income Taxes Receivable	733,689
Nondepreciable Capital Assets	177,777
Depreciable Capital Assets, Net	<u>12,665,093</u>
<i>Total Assets</i>	<u>22,732,072</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	249,564
Pension	4,567,734
OPEB	<u>287,528</u>
<i>Total Deferred Outflows of Resources</i>	<u>5,104,826</u>
<b>Liabilities</b>	
Accounts Payable	29,962
Accrued Wages and Benefits	876,865
Intergovernmental Payable	151,474
Accrued Interest Payable	49,574
Long-Term Liabilities:	
Due Within One Year	616,213
Due In More Than One Year:	
Net Pension Liability (See Note 13)	12,360,877
Net OPEB Liability (See Note 14)	2,659,970
Other Amounts	<u>13,143,655</u>
<i>Total Liabilities</i>	<u>29,888,590</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	4,093,542
Pension	428,249
OPEB	<u>302,501</u>
<i>Total Deferred Inflows of Resources</i>	<u>4,824,292</u>
<b>Net Position</b>	
Net Investment in Capital Assets	1,039,111
Restricted for:	
Capital Projects	797,047
Other Purposes	119,247
Unrestricted (Deficit)	<u>(8,831,389)</u>
<i>Total Net Position</i>	<u><u>(\$6,875,984)</u></u>

See accompanying notes to the basic financial statements



**Columbiana Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2018*

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,841,067	\$853,418	\$252,089	\$104,448	(\$1,631,112)
Special	1,070,911	228,239	750,664	0	(92,008)
Vocational	1,385	11,684	4,126	0	14,425
Support Services:					
Pupil	373,552	86,179	20,337	0	(267,036)
Instructional Staff	190,771	29,457	8,100	0	(153,214)
Board of Education	29,027	4,714	0	0	(24,313)
Administration	330,651	154,139	0	0	(176,512)
Fiscal	373,311	55,237	32,656	0	(285,418)
Operation and Maintenance of Plant	756,986	215,434	0	0	(541,552)
Pupil Transportation	416,634	60,065	0	0	(356,569)
Central	11,480	1,796	0	0	(9,684)
Operation of Non-Instructional Services:					
Food Service Operations	296,685	117,115	146,706	0	(32,864)
Extracurricular Activities	587,836	337,174	22,223	0	(228,439)
Interest and Fiscal Charges	626,953	0	0	0	(626,953)
<i>Total Primary Government</i>	<u>\$7,907,249</u>	<u>\$2,154,651</u>	<u>\$1,236,901</u>	<u>\$104,448</u>	<u>(4,411,249)</u>

**General Revenues**

Property Taxes Levied for:

    General Purposes 3,566,069

    Capital Projects 794,749

Income Taxes Levied for General Purposes 1,868,290

Grants and Entitlements not Restricted to Specific Programs 3,512,210

Unrestricted Contributions 22,949

Investment Earnings 4,485

Miscellaneous 4,006

*Total General Revenues* 9,772,758

Change in Net Position 5,361,509

*Net Position Beginning of Year - Restated (See Note 3)* (12,237,493)

*Net Position End of Year* (\$6,875,984)

See accompanying notes to the basic financial statements

**Columbiana Exempted Village School District**

*Balance Sheet  
Governmental Funds  
June 30, 2018*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,513,319	\$758,939	\$129,461	\$4,401,719
Cash and Cash Equivalents with Fiscal Agents	0	0	97,439	97,439
Accrued Interest Receivable	9,484	0	0	9,484
Accounts Receivable	1,138	0	0	1,138
Intergovernmental Receivable	42,328	0	92,318	134,646
Prepaid Items	19,168	0	719	19,887
Interfund Receivable	11,559	0	0	11,559
Property Taxes Receivable	3,529,754	785,024	0	4,314,778
Income Taxes Receivable	733,689	0	0	733,689
<i>Total Assets</i>	<u>\$7,860,439</u>	<u>\$1,543,963</u>	<u>\$319,937</u>	<u>\$9,724,339</u>
<b>Liabilities</b>				
Accounts Payable	\$27,379	\$0	\$2,583	\$29,962
Accrued Wages and Benefits	812,462	0	64,403	876,865
Intergovernmental Payable	140,838	0	10,636	151,474
Interfund Payable	0	0	11,559	11,559
<i>Total Liabilities</i>	<u>980,679</u>	<u>0</u>	<u>89,181</u>	<u>1,069,860</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	3,346,626	746,916	0	4,093,542
Unavailable Revenue	102,869	19,856	46,847	169,572
<i>Total Deferred Inflows of Resources</i>	<u>3,449,495</u>	<u>766,772</u>	<u>46,847</u>	<u>4,263,114</u>
<b>Fund Balances</b>				
Nonspendable	19,168	0	719	19,887
Restricted	0	777,191	222,542	999,733
Committed	344,404	0	0	344,404
Assigned	462,308	0	0	462,308
Unassigned (Deficit)	2,604,385	0	(39,352)	2,565,033
<i>Total Fund Balances</i>	<u>3,430,265</u>	<u>777,191</u>	<u>183,909</u>	<u>4,391,365</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,860,439</u>	<u>\$1,543,963</u>	<u>\$319,937</u>	<u>\$9,724,339</u>

See accompanying notes to the basic financial statements

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

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<b>Total Governmental Fund Balances</b>	<b>\$4,391,365</b>
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*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.	12,842,870
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	122,725
Grants	46,847
	_____

Total	169,572
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An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of activities.	176,422
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In the statement of activities, interest is accrued on outstanding bonds, where as in governmental funds, an interest expenditure is reported when due.	(49,574)
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The net pension liability and net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	4,567,734
Deferred Outflows - OPEB	287,528
Net Pension Liability	(12,360,877)
Net OPEB Liability	(2,659,970)
Deferred Inflows - Pension	(428,249)
Deferred Inflows - OPEB	(302,501)
	_____

Total	(10,896,335)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Certificates of Participation	(12,476,300)
Qualified School Construction Bonds	(514,669)
Limited Tax General Obligation Bonds	(110,000)
Capital Leases	(50,648)
Compensated Absences	(608,251)
Deferred Charge on Refunding	249,564
	_____

Total	(13,510,304)
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<i>Net Position of Governmental Activities</i>	<b>(\$6,875,984)</b>
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See accompanying notes to the basic financial statements

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,548,364	\$791,194	\$0	\$4,339,558
Income Taxes	1,868,290	0	0	1,868,290
Intergovernmental	3,888,617	104,448	836,388	4,829,453
Interest	4,231	0	1,089	5,320
Tuition and Fees	1,606,611	0	0	1,606,611
Rentals	11,278	0	0	11,278
Extracurricular Activities	93,864	0	197,937	291,801
Contributions and Donations	22,949	0	22,223	45,172
Charges for Services	127,846	0	117,115	244,961
Miscellaneous	4,006	0	0	4,006
<i>Total Revenues</i>	<u>11,176,056</u>	<u>895,642</u>	<u>1,174,752</u>	<u>13,246,450</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,395,234	0	190,558	5,585,792
Special	1,446,269	0	361,754	1,808,023
Vocational	73,658	0	0	73,658
Support Services:				
Pupil	548,026	0	15,476	563,502
Instructional Staff	205,707	0	8,100	213,807
Board of Education	30,014	0	0	30,014
Administration	963,326	0	0	963,326
Fiscal	345,441	15,749	24,781	385,971
Operation and Maintenance of Plant	1,371,431	0	0	1,371,431
Pupil Transportation	385,528	0	0	385,528
Central	11,436	0	0	11,436
Operation of Non-instructional Services:				
Food Service Operations	0	0	291,584	291,584
Extracurricular Activities	383,679	0	257,899	641,578
Debt Service:				
Principal Retirement	123,701	415,000	0	538,701
Interest and Fiscal Charges	65,896	538,353	0	604,249
<i>Total Expenditures</i>	<u>11,349,346</u>	<u>969,102</u>	<u>1,150,152</u>	<u>13,468,600</u>
<i>Net Change in Fund Balances</i>	(173,290)	(73,460)	24,600	(222,150)
<i>Fund Balances Beginning of Year</i>	<u>3,603,555</u>	<u>850,651</u>	<u>159,309</u>	<u>4,613,515</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,430,265</u></u>	<u><u>\$777,191</u></u>	<u><u>\$183,909</u></u>	<u><u>\$4,391,365</u></u>

See accompanying notes to the basic financial statements

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

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**Net Change in Fund Balances -Total Governmental Funds** (\$222,150)

*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 capital outlay exceeded depreciation in the current period.

Capital Asset Additions	647,695	
Current Year Depreciation	(486,430)	
Total		161,265

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

Delinquent Property Taxes	21,260	
Grants	1,048	
Total		22,308

Repayment of principal is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities in the statement of net position. 538,701

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

Accrued Interest	1,128	
Amortization of Premium on Bonds	3,202	
Amortization of Discount on Bonds	(3,266)	
Amortization of Deferred Charge on Refunding	(23,768)	
Total		(22,704)

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

Pension	815,405	
OPEB	23,589	
Total		838,994

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

Pension	3,712,775	
OPEB	417,150	
Total		4,129,925

Some expenses reported in the statement of activities, such as compensated absences, do not  
require the use of current financial resources and therefore are not reported as expenditures  
in governmental funds. (56,818)

The internal service fund used by management to charge the individual funds is reported in  
the district-wide statement of activities. Governmental fund expenditures and related  
internal service fund revenues are eliminated. (28,012)

*Change in Net Position of Governmental Activities* \$5,361,509

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues</b>				
Property Taxes	\$3,359,939	\$3,549,899	\$3,551,199	\$1,300
Income Taxes	1,775,935	1,876,340	1,876,624	284
Intergovernmental	3,638,322	3,844,021	3,975,134	131,113
Interest	31,000	31,000	40,254	9,254
Tuition and Fees	1,441,446	1,522,940	1,614,541	91,601
Rentals	8,000	8,000	11,278	3,278
Contributions and Donations	1,700	1,700	11,700	10,000
Charges for Services	105,000	105,000	130,008	25,008
Miscellaneous	1,100	1,100	2,645	1,545
<i>Total Revenues</i>	10,362,442	10,940,000	11,213,383	273,383
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,277,269	5,406,839	5,406,839	0
Special	1,425,068	1,459,513	1,459,513	0
Vocational	72,152	73,920	73,345	575
Support Services:				
Pupil	539,422	552,968	552,968	0
Instructional Staff	209,319	214,876	214,876	0
Board of Education	31,035	31,845	31,845	0
Administration	936,279	959,400	959,400	0
Fiscal	343,604	352,043	352,043	0
Operation and Maintenance of Plant	1,697,812	1,737,567	1,737,567	0
Pupil Transportation	465,293	477,306	477,306	0
Central	11,161	11,436	11,436	0
Extracurricular Activities	283,871	291,072	290,877	195
Capital Outlay	6,569	6,569	6,569	0
Debt Service:				
Principal Retirement	64,333	64,333	64,333	0
Interest and Fiscal Charges	60,313	60,313	60,313	0
<i>Total Expenditures</i>	11,423,500	11,700,000	11,699,230	770
<i>Net Change in Fund Balance</i>	(1,061,058)	(760,000)	(485,847)	274,153
<i>Fund Balance Beginning of Year</i>	3,128,856	3,128,856	3,128,856	0
Prior Year Encumbrances Appropriated	443,039	443,039	443,039	0
<i>Fund Balance End of Year</i>	\$2,510,837	\$2,811,895	\$3,086,048	\$274,153

See accompanying notes to the basic financial statements

**Columbiana Exempted Village School District**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2018*

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	<u>Self Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$176,422
<b>Liabilities</b>	
	<u>0</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$176,422</u></u>

See accompanying notes to the basic financial statements

**Columbiana Exempted Village School District**

*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2018*

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	<u>Self Insurance</u>
<b>Operating Revenues</b>	<u>\$0</u>
<b>Operating Expenses</b>	
Salaries	21,000
Fringe Benefits	3,244
Materials and Supplies	<u>3,768</u>
<i>Total Operating Expenses</i>	<u>28,012</u>
<i>Operating Income (Loss)</i>	(28,012)
<i>Net Position Beginning of Year</i>	<u>204,434</u>
<i>Net Position End of Year</i>	<u><u>\$176,422</u></u>

See accompanying notes to the basic financial statement



**Columbiana Exempted Village School District**

*Statement of Cash Flows*

*Internal Service Fund*

*For the Fiscal Year Ended June 30, 2018*

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	<u>Self Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Payments to Employees for Services	(\$21,000)
Cash Payments for Employee Benefits	(3,244)
Cash Payments for Goods and Services	<u>(3,768)</u>
<i>Net Cash Provided by (Used In) Operating Activities</i>	(28,012)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>204,434</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$176,422</u></u>
See accompanying notes to the basic financial statement	

**Columbiana Exempted Village School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2018*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$59,805</u>
<b>Liabilities</b>	
Due to Students	<u>\$59,805</u>

See accompanying notes to the basic financial statements

## **Columbiana Exempted Village School District**

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

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### **Note 1 - Description of the School District and Reporting Entity**

Columbiana 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 federal guidelines.

The School District was established in 1890 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 18 square miles. It is located in Columbiana and Mahoning Counties, and includes all of the City of Columbiana and portions of Fairfield, Beaver and Springfield Townships. The School District is staffed by 43 non-certificated employees, 77 certificated full-time teaching personnel and 10 administrative employees who provide services to 981 students. The School District currently operates 3 instructional buildings and 1 bus garage.

#### *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, agencies, departments and offices that are not legally separate from the School District. For the School District, the agencies and departments provide the following services: 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 does have a blended component unit.

*Columbiana Exempted Village School District Lease Corporation* – During fiscal year 1999, the Columbiana Exempted Village School District Leasing Corporation (Corporation) was formed to issue Certificates of Participation for the purpose of constructing a new high school in accordance with Ohio Revised Code Section 3313.375. The School District will make lease payments to the Corporation for the life of the issuance, after which time it will take ownership of the building. The Corporation is governed by a three member Board appointed by the School District. Although the Corporation is a separate legal entity, the School District’s financial statements include activity pertaining to the Certificates of Participation since the debt was issued on behalf of the School District. This activity is reflected in the bond retirement debt service fund. The Corporation has assigned its duties to a Trustee to handle the finances.

The School District participates in two jointly governed organizations, one insurance purchasing pool, one risk sharing pool and a related organization. These organizations are the Columbiana County Career and Technical Center, the Access Council of Governments, the Ohio School Boards Association Workers’ Compensation Group Rating Program, the Portage Area School Consortium, and the Columbiana Public Library. These organizations are presented in Notes 18, 19 and 20 of the basic financial statements.

## Columbiana Exempted Village School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### **Note 2 - Summary of Significant Accounting Policies**

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

#### ***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity 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 to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary fund is reported by type.

#### ***Fund Accounting***

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

## Columbiana Exempted Village School District

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

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**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and 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 operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Permanent Improvement Capital Projects Fund** The permanent improvement fund receives property taxes for transactions restricted for acquiring, constructing or improving capital facilities.

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

**Proprietary Fund Type** Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District only has an internal service fund.

**Internal Service Fund** This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District utilizes an internal service fund to account for any unanticipated run-off claims not covered by their Shared Risk Pool's reserve as well as monies paid to employees who opt out of the School District's insurance program. Any left over money is used for health and wellness related activities.

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

### **Measurement Focus**

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

## Columbiana Exempted Village School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

### ***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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding debt,

## Columbiana Exempted Village School District

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

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pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and income taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

### ***Budgetary Data***

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and 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 has been given the authority to allocate appropriations to the function and object level within each fund. Budgetary statements are presented beyond that legal level of control for information purposes only.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue matches actual revenue for the fiscal year.

## **Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. 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 fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year-end.

### ***Cash and Cash Equivalents***

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

Investments are reported at fair value which is based on quoted market prices. During fiscal year 2018, investments were limited to repurchase agreements, mutual funds and negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agents".

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$4,231 which includes \$148 assigned from other School District funds.

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

### ***Prepaid Items***

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

### ***Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the governmental-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the capital assets to be capitalized and using an appropriate price-level index to deflate the cost of the acquisition year or estimated acquisition year).



## Columbiana Exempted Village School District

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

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Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land 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>
Buildings and Improvements	5 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 15 years

### ***Bond Premiums and Discounts***

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are received in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. On the governmental-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended in the year the bonds are issued.

### ***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

### ***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

## Columbiana Exempted Village School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### ***Pensions/Other Postemployment Benefits (OPEB)***

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

### ***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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. 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 improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, instruction, support services and extracurricular activities.

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

### ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School 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 category 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.

## **Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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**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. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for extracurricular activities and to cover a gap between estimated revenue and appropriations in fiscal year 2019's budget.

**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.

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

### ***Operating Revenues and Expenses***

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

### ***Interfund Activity***

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are eliminated.

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

## Columbiana Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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### Estimates

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

### Note 3 – Change in Accounting Principle and Restatement of Net Position

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

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

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

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

Net Position June 30, 2017	(\$9,121,811)
Adjustments:	
Net OPEB Liability	(3,134,566)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>18,884</u>
Restated Net Position June 30, 2017	<u><u>(\$12,237,493)</u></u>

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

### Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, 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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Prepays	\$19,168	\$0	\$719	\$19,887
<b><i>Restricted for</i></b>				
Athletics	0	0	20,072	20,072
Non-Public Schools	0	0	105,031	105,031
Debt Service Payments	0	0	97,439	97,439
Capital Improvements	0	777,191	0	777,191
<b><i>Total Restricted</i></b>	<b>0</b>	<b>777,191</b>	<b>222,542</b>	<b>999,733</b>
<b><i>Committed to</i></b>				
Facilities Maintenance	344,404	0	0	344,404
<b><i>Assigned to</i></b>				
Extracurricular Activities	78,812	0	0	78,812
Purchases on Order:				
Purchased Services	6,561	0	0	6,561
Materials and Supplies	9,566	0	0	9,566
Capital Outlay	33,863	0	0	33,863
Fiscal Year 2019 Appropriations	333,506	0	0	333,506
<b><i>Total Assigned</i></b>	<b>462,308</b>	<b>0</b>	<b>0</b>	<b>462,308</b>
<b><i>Unassigned (Deficit)</i></b>	<b>2,604,385</b>	<b>0</b>	<b>(39,352)</b>	<b>2,565,033</b>
<b><i>Total Fund Balances</i></b>	<b>\$3,430,265</b>	<b>\$777,191</b>	<b>\$183,909</b>	<b>\$4,391,365</b>

**Note 5 – Fund Deficits**

At June 30, 2018, the following funds have deficit balances:

**Nonmajor Funds:**

Special Revenue Funds:

Food Service	\$3,553
Title VI-B	19,845
Title I	15,203
Title II - A	465

The deficits in the special revenue funds resulted from the recognition of accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

## Columbiana Exempted Village School District

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

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### Note 6 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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. Investments are reported at cost (budget) rather than fair value (GAAP).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$173,290)
Net Adjustment for Revenue Accruals	99,941
Beginning Fair Value Adjustment for Investments	8,943
Ending Fair Value Adjustment for Investments	34,376
Perspective Difference:	
Public School Support	(10,535)
Net Adjustment for Expenditure Accruals	(50,788)
Adjustment for Encumbrances	<u>(394,494)</u>
Budget Basis	<u><u>(\$485,847)</u></u>

### Note 7 - Deposits and Investments

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

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

## **Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

**Investments**

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard and Poor's Rating	Percentage of Total Investments
Cost				
Repurchase Agreement	\$2,464,016	Less than 30 days	AAA	57.42 %
Fair Value - Level One Inputs				
Money Market Mutual Funds	21,281	Less than 30 days	AAA	N/A
Negotiable Certificates of Deposit	288,286	Less than 1 year	N/A	6.72
Negotiable Certificates of Deposit	1,517,338	More than 1 year	N/A	35.36
Total Investments	<u>\$4,290,921</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**Credit Risk** The Standard and Poor's ratings of the School Districts investments are listed in the table above. The negotiable certificates of deposit are unrated. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer.



## **Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### **Note 8 - Property Taxes**

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

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

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

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2018 was \$80,259 in the general fund and \$18,252 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2017 was \$83,094 in the general fund and \$18,880 in the permanent improvement capital projects fund.

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$182,311,160	96.04 %	\$187,393,450	95.45 %
Public Utility Personal	7,522,620	3.96	8,933,840	4.55
Total	<u>\$189,833,780</u>	<u>100.00 %</u>	<u>\$196,327,290</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$33.50		\$33.50	

***Tax Abatements***

The School District's property taxes were reduced by \$4,493 for fiscal year 2018 under an enterprise zone agreement entered into by Columbiana County.

**Note 9 – Receivables**

Receivables at June 30, 2018, consisted of taxes, intergovernmental grants, accounts and accrued interest. 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. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Title VI-B Grant	\$38,525
Title I Grant	30,307
Bureau Worker's Compensation Refund	28,261
Food Service Grant Subsidies	13,486
Academic Enrichment Grant	10,000
Prior Year State Foundation Adjustments	6,486
Jefferson Educational Service Center	5,381
School Employees Retirement System Refund	1,286
Motor Fuel Tax Refund	914
Total	<u>\$134,646</u>

**Note 10 – Income Tax**

The School District levies a voted tax of 1 percent for the general operations on the income of residents and of estates. The tax was effective on November 5, 2002, and is a continuing tax. Employers of residents are required to withhold income tax compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

## Columbiana Exempted Village School District

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

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### Note 11 - Risk Management

#### *Property and Liability*

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

Coverage	Amount
Building and Contents - replacement cost (\$1,000 deductible)	\$40,066,200
Inland Marine Coverage (\$500 deductible)	100,000
Commercial Computer Coverage (\$500 deductible)	767,950
Automobile Liability (\$500 deductible)	1,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	2,000,000
Commercial Umbrella Liability Policy	3,000,000

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

#### *Employee Medical, Dental and Vision Benefits*

The School District is a member of the Portage Area School Consortium (the "Consortium"), a risk sharing pool (see Note 19), through which a cooperative Health Benefit Program was created for the benefits of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

#### *Worker's Compensation*

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

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**Note 12 - Capital Assets**

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

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$177,777	\$0	\$0	\$177,777
Construction in Progress	127,922	397,070	(524,992)	0
<i>Total Capital Assets, not being depreciated</i>	<u>305,699</u>	<u>397,070</u>	<u>(524,992)</u>	<u>177,777</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	17,771,897	769,631	0	18,541,528
Furniture and Equipment	477,500	5,986	0	483,486
Vehicles	814,079	0	(8,800)	805,279
<i>Total Capital Assets, being depreciated</i>	<u>19,063,476</u>	<u>775,617</u>	<u>(8,800)</u>	<u>19,830,293</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(6,007,503)	(422,555)	0	(6,430,058)
Furniture and Equipment	(374,447)	(14,262)	0	(388,709)
Vehicles	(305,620)	(49,613)	8,800	(346,433)
<i>Total Accumulated Depreciation</i>	<u>(6,687,570)</u>	<u>(486,430) *</u>	<u>8,800</u>	<u>(7,165,200)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>12,375,906</u>	<u>289,187</u>	<u>0</u>	<u>12,665,093</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><u>\$12,681,605</u></u>	<u><u>\$686,257</u></u>	<u><u>(\$524,992)</u></u>	<u><u>\$12,842,870</u></u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$338,324
Special	4,181
Support Services:	
Pupil	5,187
Instructional Staff	8,446
Administration	1,765
Fiscal	1,548
Operation and Maintenance of Plant	57,672
Pupil Transportation	49,613
Operation of Non-Instructional Services:	
Food Service Operations	4,666
Extracurricular Activities	15,028
<b>Total Depreciation Expense</b>	<u><u>\$486,430</u></u>

## Columbiana Exempted Village School District

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

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### Note 13 – Defined Benefit Pension Plans

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

#### *Net Pension Liability/Net OPEB Liability*

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and

## Columbiana Exempted Village School District

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

survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

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

The School District's contractually required contribution to SERS was \$146,629 for fiscal year 2018. Of this amount \$0 is reported as an intergovernmental payable.

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

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

## **Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

The School District's contractually required contribution to STRS was \$668,776 for fiscal year 2018. Of this amount \$87,320 is reported as an intergovernmental payable.

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.03500050%	0.03986096%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.03654780%</u>	<u>0.04284207%</u>	
Change in Proportionate Share	<u><u>0.00154730%</u></u>	<u><u>0.00298111%</u></u>	
Proportionate Share of the Net			
Pension Liability	\$2,183,651	\$10,177,226	\$12,360,877
Pension Expense	(\$3,673)	(\$3,709,102)	(\$3,712,775)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$93,977	\$392,996	\$486,973
Changes of assumptions	112,918	2,225,871	2,338,789
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	141,716	784,851	926,567
School District contributions subsequent to the measurement date	<u>146,629</u>	<u>668,776</u>	<u>815,405</u>
Total Deferred Outflows of Resources	<u><u>\$495,240</u></u>	<u><u>\$4,072,494</u></u>	<u><u>\$4,567,734</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$82,024	\$82,024
Net difference between projected and actual earnings on pension plan investments	<u>10,365</u>	<u>335,860</u>	<u>346,225</u>
Total Deferred Inflows of Resources	<u><u>\$10,365</u></u>	<u><u>\$417,884</u></u>	<u><u>\$428,249</u></u>

\$815,405 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:



**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$162,501	\$678,570	\$841,071
2020	176,056	1,135,458	1,311,514
2021	50,595	823,275	873,870
2022	<u>(50,906)</u>	<u>348,531</u>	<u>297,625</u>
Total	<u>\$338,246</u>	<u>\$2,985,834</u>	<u>\$3,324,080</u>

***Actuarial Assumptions - SERS***

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality

## Columbiana Exempted Village School District

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

among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,030,339	\$2,183,651	\$1,474,376

## Columbiana Exempted Village School District

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

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### Actuarial Assumptions - STRS

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

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

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

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$14,588,706	\$10,177,226	\$6,461,214

**Social Security System**

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

## Columbiana Exempted Village School District

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

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### **Note 14 - Defined Benefit OPEB Plans**

See Note 13 for a description of the net OPEB liability.

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$18,158.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$23,589 for fiscal year 2018. Of this amount \$18,158 is reported as an intergovernmental payable.

## Columbiana Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.03518110%	0.03986096%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.03683040%</u>	<u>0.04284207%</u>	
Change in Proportionate Share	<u>0.00164930%</u>	<u>0.00298111%</u>	
Proportionate Share of the Net			
OPEB Liability	\$988,432	\$1,671,538	\$2,659,970
OPEB Expense	\$70,138	(\$487,288)	(\$417,150)

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$96,491	\$96,491
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	30,794	136,654	167,448
School District contributions subsequent to the measurement date	<u>23,589</u>	<u>0</u>	<u>23,589</u>
Total Deferred Outflows of Resources	<u><u>\$54,383</u></u>	<u><u>\$233,145</u></u>	<u><u>\$287,528</u></u>
<b>Deferred Inflows of Resources</b>			
Changes of assumptions	\$93,797	\$134,648	\$228,445
Net difference between projected and actual earnings on OPEB plan investments	<u>2,610</u>	<u>71,446</u>	<u>74,056</u>
Total Deferred Inflows of Resources	<u><u>\$96,407</u></u>	<u><u>\$206,094</u></u>	<u><u>\$302,501</u></u>

\$23,589 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$23,480)	(\$1,445)	(\$24,925)
2020	(23,480)	(1,445)	(24,925)
2021	(18,001)	(1,445)	(19,446)
2022	(652)	(1,445)	(2,097)
2023	0	16,416	16,416
Thereafter	<u>0</u>	<u>16,415</u>	<u>16,415</u>
Total	<u><u>(\$65,613)</u></u>	<u><u>\$27,051</u></u>	<u><u>(\$38,562)</u></u>

***Actuarial Assumptions - SERS***

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

## Columbiana Exempted Village School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

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

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

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

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

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

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



**Columbiana Exempted Village School District**

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The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,193,656	\$988,432	\$825,840

  

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$802,038	\$988,432	\$1,235,126

## Columbiana Exempted Village School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### ***Actuarial Assumptions – STRS***

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

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

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

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

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
School District's proportionate share of the net OPEB liability	\$2,244,015	\$1,671,538	\$1,219,097

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$1,161,314	\$1,671,538	\$2,343,056

**Note 15 - Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and Administrators earn up to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

## Columbiana Exempted Village School District

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Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for all personnel. Upon retirement, payment is made according to negotiated agreements.

### ***Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most of its employees. Life insurance is provided through Guardian Life Insurance Company of America.

### **Note 16 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2018 were as follows:

	Principal Outstanding 06/30/17	Additions	Deductions	Principal Outstanding 06/30/18	Amount Due in One Year
<b>Governmental Activities</b>					
<b>Certificates of Participation (COP)</b>					
2010 COP					
Current Interest Serial COP 2.0 - 3.625%	\$1,075,000	\$0	(\$330,000)	\$745,000	\$360,000
Current Interest Term COP 4.0 - 5.0%	5,630,000	0	0	5,630,000	0
Premium on COP	36,821	0	(3,202)	33,619	0
<i>Total 2010 COP</i>	<u>6,741,821</u>	<u>0</u>	<u>(333,202)</u>	<u>6,408,619</u>	<u>360,000</u>
2011 COP					
Tax Exempt Serial COP 1.0 - 3.5%	340,000	0	(65,000)	275,000	75,000
Tax Exempt Term COP 3.9%	440,000	0	0	440,000	0
Discount on COP	(2,241)	0	320	(1,921)	0
<i>Total 2011 COP</i>	<u>777,759</u>	<u>0</u>	<u>(64,680)</u>	<u>713,079</u>	<u>75,000</u>
2014 COP					
Current Interest Serial COP 3.125 - 4.00%	1,300,000	0	0	1,300,000	0
Current Interest Term COP 1.00 - 4.50%	4,135,000	0	(20,000)	4,115,000	20,000
Discount on COP	(63,344)	0	2,946	(60,398)	0
<i>Total 2014 COP</i>	<u>5,371,656</u>	<u>0</u>	<u>(17,054)</u>	<u>5,354,602</u>	<u>20,000</u>
<i>Total Certificates of Participation</i>	<u>12,891,236</u>	<u>0</u>	<u>(414,936)</u>	<u>12,476,300</u>	<u>455,000</u>
<b>Other Long-term Obligations</b>					
Net Pension Liability					
STRS	13,342,665	0	(3,165,439)	10,177,226	0
SERS	2,561,712	0	(378,061)	2,183,651	0
Total Net Pension Liability	<u>15,904,377</u>	<u>0</u>	<u>(3,543,500)</u>	<u>12,360,877</u>	<u>0</u>
Net OPEB Liability					
STRS	2,131,775	0	(460,237)	1,671,538	0
SERS	1,002,791	0	(14,359)	988,432	0
Total Net OPEB Liability	<u>3,134,566</u>	<u>0</u>	<u>(474,596)</u>	<u>2,659,970</u>	<u>0</u>
2011 Qualified School Construction Bonds 6.25%	579,002	0	(64,333)	514,669	64,333
2012 Limited Tax General Obligation Bonds 2.6%	120,000	0	(10,000)	110,000	10,000
Capital Leases	100,016	0	(49,368)	50,648	50,648
Compensated Absences	551,433	181,446	(124,628)	608,251	36,232
<i>Total Other Long-term Obligations</i>	<u>20,389,394</u>	<u>181,446</u>	<u>(4,266,425)</u>	<u>16,304,415</u>	<u>161,213</u>
<i>Total Governmental Activities</i>	<u>\$33,280,630</u>	<u>\$181,446</u>	<u>(\$4,681,361)</u>	<u>\$28,780,715</u>	<u>\$616,213</u>

## Columbiana Exempted Village School District

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*2010 Certificates of Participation* – On May 7, 2010, the School District issued \$8,390,000 certificates of participation (COPs), to refund the 1999 certificates of participation and for use in upgrading existing facilities. The certificates of participation included serial and term certificates in the amount of \$2,760,000 and \$5,630,000, respectively. The COPs issuance included a premium of \$59,501, which will be amortized over the life of the COPs. The certificates were issued for an 18 year period with a final maturity at December 1, 2028. The certificates will be retired from the debt service fund. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Columbiana County Business Incubator, and then subleased back to the School District. The COPs were issued through a series of annual leases. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component ranging from 2.0 percent to 5.0 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date by paying \$100 plus the amount necessary to defease the indenture.

*Optional Redemption* The Series 2010 certificates maturing on or after December 1, 2021 are subject to prior redemption, on any date on or after December 1, 2020, in whole after exercise by the School District of its option to purchase the Leased Property pursuant to the Lease from the available proceeds from such purchase and in whole or part in connection with the refunding of the Series 2010 Certificates, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The term certificates maturing on December 1, 2022, 2024, 2026, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue			
	\$1,400,000	\$1,185,000	\$1,400,000	\$1,645,000
2020	\$430,000	\$0	\$0	\$0
2021	465,000	0	0	0
2023	0	570,000	0	0
2025	0	0	665,000	0
2027	0	0	0	790,000
Total mandatory sinking fund payment	\$895,000	\$570,000	\$665,000	\$790,000
Amount due at stated maturity	505,000	615,000	735,000	855,000
Total	\$1,400,000	\$1,185,000	\$1,400,000	\$1,645,000
<i>State Maturity</i>	12/1/2022	12/1/2024	12/1/2026	12/1/2028

*2011 Certificates of Participation* – On August 10, 2010, the School District issued \$6,250,000 certificates of participation (COPs), for use in upgrading existing facilities. The certificates of participation included serial, term and Build America certificates in the amounts of \$660,000, \$440,000 and \$5,150,000, respectively. The COPs issuance included a discount of \$8,724, which will be amortized over the life of the COPs. The certificates were issued for a 28 year period with a final maturity at December 1, 2038. The certificates will be retired from the debt service fund. The Build America certificates were refunded in full in fiscal year 2014. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be

## Columbiana Exempted Village School District

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

“qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Columbiana County Business Incubator, and then subleased back to the School District. The COPs were issued through a series of annual leases. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component ranging from 1.0 percent to 7.3 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date by paying \$100 plus the amount necessary to defease the indenture.

*Optional Redemption* The Series 2010A and 2010B certificates maturing on or after December 1, 2021 are subject to prior redemption, on any date on or after December 1, 2020, in whole after exercise by the School District of its option to purchase the Leased Property pursuant to the Lease from the available proceeds from such purchase and in whole or part in connection with the refunding of those Certificates, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The term certificates maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
2021	\$440,000
2022	125,000
Total mandatory sinking fund payment	\$265,000
Amount due at stated maturity	175,000
Total	\$440,000
Stated Maturity	12/1/2023

*2014 Certificates of Participation* – On February 6, 2014, the School District issued \$5,545,000 certificates of participation (COPs), to refund a portion of the 2011 certificates of participation and for use in upgrading existing facilities. The certificates of participation included serial and term certificates in the amount of \$1,300,000 and \$4,245,000, respectively. The COPs issuance included a discount of \$73,410, which will be amortized over the life of the COPs. The certificates were issued with interest rates varying from 2 percent to 3.3 percent and were issued for a 25 year period with final maturity on December 1, 2038. The certificates will be retired through the general obligation bond retirement debt service fund. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Columbiana County Business Incubator, and then subleased back to the School District. The COPs were issued through a series of annual leases. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component ranging from 1.0 percent to 4.5 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date by paying \$100 plus the amount necessary to defease the indenture.

## Columbiana Exempted Village School District

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

The term certificates maturing on December 1, 2023, 2030, 2032, 2034, 2036, 2038 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue					
	\$140,000	\$665,000	\$735,000	\$790,000	\$865,000	\$940,000
2017	\$20,000	\$0	\$0	\$0	\$0	\$0
2018	20,000	0	0	0	0	0
2019	20,000	0	0	0	0	0
2020	20,000	0	0	0	0	0
2021	20,000	0	0	0	0	0
2022	20,000	0	0	0	0	0
2029	0	325,000	0	0	0	0
2031	0	0	360,000	0	0	0
2033	0	0	0	385,000	0	0
2035	0	0	0	0	425,000	0
2037	0	0	0	0	0	460,000
Total mandatory sinking sinking fund payment	\$120,000	\$325,000	\$360,000	\$385,000	\$425,000	\$460,000
Amount due at stated maturity	20,000	340,000	375,000	405,000	440,000	480,000
Total	<u>\$140,000</u>	<u>\$665,000</u>	<u>\$735,000</u>	<u>\$790,000</u>	<u>\$865,000</u>	<u>\$940,000</u>
<i>Stated Maturity</i>	12/1/2023	12/1/2030	12/1/2032	12/1/2034	12/1/2036	12/1/2038

On February 24, 2011, the School District issued \$965,000 in qualified school construction bonds for the purpose of energy savings upgrades in the School District. The bonds were issued for a 15 year period and are subject to mandatory sinking fund payments. The School District may elect to receive payments directly from the Secretary of the United States Treasury equal to 88 percent of the corresponding interest payable on this issue. The bonds will be repaid from the general fund.

On October 16, 2012, the School District issued \$160,000 in limited tax general obligation bonds for the purpose of acquiring two school busses for the School District. The bonds were issued for a 15 year period. The bonds will be repaid from the general fund.

The compensated absences will be paid from the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. The capital lease will be paid from the general fund. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: general, food service and auxiliary services. For additional information related to the net pension and net OPEB liabilities see Notes 13 and 14.

The overall debt margin of the School District as of June 30, 2018 was \$17,142,226 with an unvoted debt margin of \$196,327. Principal and interest requirements to retire the certificates of participation, the qualified school construction bonds and the limited tax general obligation bonds outstanding at June 30, 2018 are as follows:

**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

Fiscal Year Ending June 30	2010 Refunding Certificates of Participation			
	Current Interest Serial		Current Interest Term	
	Principal	Interest	Principal	Interest
2019	\$360,000	\$20,077	\$0	\$257,131
2020	385,000	6,979	0	257,131
2021	0	0	430,000	248,531
2022	0	0	465,000	230,631
2023	0	0	505,000	211,231
2024-2028	0	0	3,375,000	653,060
2029	0	0	855,000	21,375
<b>Total</b>	<b>\$745,000</b>	<b>\$27,056</b>	<b>\$5,630,000</b>	<b>\$1,879,090</b>

Fiscal Year Ending June 30	2011 Certificates of Participation				
	Current Interest Serial		Current Interest Term		Total
	Principal	Interest	Principal	Interest	
2019	\$75,000	\$7,947	\$0	\$17,160	\$100,107
2020	90,000	5,312	0	17,160	112,472
2021	110,000	1,925	0	17,160	129,085
2022	0	0	125,000	14,723	139,723
2023	0	0	140,000	9,556	149,556
2024	0	0	175,000	3,413	178,413
<b>Total</b>	<b>\$275,000</b>	<b>\$15,184</b>	<b>\$440,000</b>	<b>\$79,172</b>	<b>\$809,356</b>

Fiscal Year Ending June 30	2014 Certificates of Participation				
	Current Interest Serial		Current Interest Term		Total
	Principal	Interest	Principal	Interest	
2019	\$0	\$46,140	\$20,000	\$175,668	\$241,808
2020	0	46,140	20,000	175,069	241,209
2021	0	46,140	20,000	174,469	240,609
2022	0	46,140	20,000	173,868	240,008
2023	0	46,140	20,000	173,269	239,409
2024-2028	705,000	169,394	20,000	862,143	1,756,537
2029-2033	595,000	6,200	1,400,000	748,275	2,749,475
2034-2038	0	0	2,115,000	350,010	2,465,010
2039	0	0	480,000	10,800	490,800
<b>Total</b>	<b>\$1,300,000</b>	<b>\$406,294</b>	<b>\$4,115,000</b>	<b>\$2,843,571</b>	<b>\$8,664,865</b>



**Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

Fiscal Year Ending June 30	2011 Qualified School Construction Bonds			Sinking Fund Payment
	Principal	Interest	Subsidy	
2019	\$0	\$60,313	(\$53,171)	\$64,333
2020	0	60,313	(53,171)	64,333
2021	0	60,313	(53,171)	64,334
2022	0	60,313	(53,171)	64,334
2023	0	60,313	(53,171)	64,334
2024-2026	965,000	150,782	(132,928)	(771,999)
Total	<u>\$965,000</u>	<u>\$452,347</u>	<u>(\$398,783)</u>	<u>(\$450,331)</u>

Fiscal Year Ending June 30	General Obligation Bonds	
	Limited Tax	
	Principal	Interest
2019	\$10,000	\$2,730
2020	10,000	2,470
2021	10,000	2,210
2022	10,000	1,950
2023	10,000	1,690
2024-2028	60,000	4,290
Total	<u>\$110,000</u>	<u>\$15,340</u>

**Note 17 – Capital Lease**

In prior years, the School District entered into a capital lease for school buses. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2018 follows:

	Amounts
Asset:	
Vehicles	\$251,403
Less: Accumulated Depreciation	(45,662)
Current Book Value	<u>\$205,741</u>

As of June 30, 2018, the remaining principal and interest lease payments were \$50,648 and \$1,313, respectively. The capital lease will be fully paid off in fiscal year 2019.

## **Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### **Note 18 - Jointly Governed Organizations**

#### ***Columbiana County Career and Technical Center***

The Columbiana County Career and Technical Center (the “Center”) is a distinct political subdivision of the State of Ohio. The Center is operated under the direction of a Board, consisting of one representative from each of the eight participating school districts’ elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. For fiscal year 2018, the School District did not make any contribution to the Center. To obtain financial information, write to the Columbiana County Career and Technical Center, Office of the Treasurer, at 9364 State Route 45, Lisbon, Ohio 44432.

#### ***Access Council of Governments***

The Access Council of Governments (COG) is a computer network which provides data services to twenty-six school districts in Columbiana and Mahoning, two educational services center, twenty non-public schools and two special education regional resources center. The jointly governed 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 the member districts. Each of the governments of these schools supports COG based upon a per pupil charge. Columbiana Exempted Village School District paid \$41,590 to the COG during fiscal year 2018. COG is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of COG including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Board. All of COG revenues are generated from charges for services and State funding. Financial information can be obtained by contacting Brian Stidham, Treasurer, Access Council of Governments, 493 Bev Road, Unit 1, Boardman, Ohio 44514.

### **Note 19 – Public Entity Risk Pools**

#### ***Insurance Purchasing Pool***

The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

#### ***Risk Sharing Pool***

The Portage Area School Consortium (the “Consortium”) was established in 1981 so that 12 educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. As of June 30, 2018, there were 25 educational service providers participating in the health and welfare pool. The Health and Welfare Trust is organized under the provisions of Section 501(c)(9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The

## **Columbiana Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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School District pays all insurance premiums directly to the consortium. Also, the insurance agreement with Portage County School Consortium provides that the Consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the School District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing Board as provided in the Consortium's enabling authority. The Field Local School District acts as the fiscal agent for the consortium. To obtain financial information, write to the Field Local School District, Todd Carpenter, who serves as Treasurer, at 2900 State Route 43, Mogadore, Ohio 44260.

### **Note 20 – Related Organization**

***Columbiana Public Library*** The Columbiana Public Library (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a seven member Board of Trustees appointed by the School Board. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Columbiana Public Library, Carol Cobbs, Director/Clerk-Treasurer, at 332 N. Middle St., Columbiana, Ohio 44408.

### **Note 21 - Contingencies**

#### ***Grants***

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

#### ***School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The final adjustment was not material and is not reflected in the accompanying financial statements.

#### ***Litigation***

The School District is not a party to any legal proceedings.

## Columbiana Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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### Note 22 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal 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 acquisitions. Disclosure of this information is required by State statute.

Set-Aside Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	185,144
Current Year Offset	(896,270)
Qualifying Disbursements	<u>(676,455)</u>
Total	<u><u>(\$1,387,581)</u></u>
Set-aside Balance as of June 30, 2018 and Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

Although the School District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

### Note 23 – Encumbrances

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

General	\$394,494
Other Governmental Funds	<u>19,975</u>
<b>Total Governmental Funds</b>	<u><u>\$414,469</u></u>

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## Required Supplementary Information

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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.03654780%	0.03500050%	0.03337010%
School District's Proportionate Share of the Net Pension Liability	\$2,183,651	\$2,561,712	\$1,904,130
School District's Covered Payroll	\$1,171,379	\$1,117,829	\$1,004,421
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	186.42%	229.17%	189.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.03137700%	0.03137700%
\$1,587,972	\$1,865,889
\$914,686	\$920,542
173.61%	202.69%
71.70%	65.52%

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03683040%	0.03518110%
School District's Proportionate Share of the Net OPEB Liability	\$988,432	\$1,002,791
School District's Covered Payroll	\$1,171,379	\$1,117,829
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	84.38%	89.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information



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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.04284207%	0.03986096%	0.03982090%
School District's Proportionate Share of the Net Pension Liability	\$10,177,226	\$13,342,665	\$11,005,332
School District's Covered Payroll	\$4,597,007	\$4,275,771	\$4,167,507
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	221.39%	312.05%	264.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2015	2014
0.03896857%	0.03896857%
\$9,478,505	\$11,290,733
\$3,981,736	\$3,855,523
238.05%	292.85%
74.70%	69.30%

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.04284207%	0.03986096%
School District's Proportionate Share of the Net OPEB Liability	\$1,671,538	\$2,131,775
School District's Covered Payroll	\$4,597,007	\$4,275,771
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	36.36%	49.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$146,629	\$163,993	\$156,496	\$132,383
Contributions in Relation to the Contractually Required Contribution	<u>(146,629)</u>	<u>(163,993)</u>	<u>(156,496)</u>	<u>(132,383)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,086,141	\$1,171,379	\$1,117,829	\$1,004,421
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	23,589	18,884	16,566	23,723
Contributions in Relation to the Contractually Required Contribution	<u>(23,589)</u>	<u>(18,884)</u>	<u>(16,566)</u>	<u>(23,723)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.17%</u>	<u>1.61%</u>	<u>1.48%</u>	<u>2.36%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.67%</u>	<u>15.61%</u>	<u>15.48%</u>	<u>15.54%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$126,775	\$127,403	\$136,411	\$105,825	\$110,616	\$84,535
<u>(126,775)</u>	<u>(127,403)</u>	<u>(136,411)</u>	<u>(105,825)</u>	<u>(110,616)</u>	<u>(84,535)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$914,686	\$920,542	\$1,014,205	\$841,888	\$816,956	\$859,098
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
15,441	18,017	20,252	25,814	17,663	49,105
<u>(15,441)</u>	<u>(18,017)</u>	<u>(20,252)</u>	<u>(25,814)</u>	<u>(17,663)</u>	<u>(49,105)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.69%</u>	<u>1.96%</u>	<u>2.00%</u>	<u>3.07%</u>	<u>2.16%</u>	<u>5.72%</u>
<u>15.55%</u>	<u>15.80%</u>	<u>15.45%</u>	<u>15.64%</u>	<u>15.70%</u>	<u>15.56%</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$668,776	\$643,581	\$598,608	\$583,451
Contributions in Relation to the Contractually Required Contribution	<u>(668,776)</u>	<u>(643,581)</u>	<u>(598,608)</u>	<u>(583,451)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,776,971	\$4,597,007	\$4,275,771	\$4,167,507
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information



<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$517,626	\$501,218	\$525,917	\$565,683	\$548,125	\$511,264
<u>(517,626)</u>	<u>(501,218)</u>	<u>(525,917)</u>	<u>(565,683)</u>	<u>(548,125)</u>	<u>(511,264)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,981,736	\$3,855,523	\$4,045,515	\$4,351,408	\$4,216,346	\$3,932,800
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$39,817	\$38,555	\$40,455	\$43,514	\$42,163	\$39,328
<u>(39,817)</u>	<u>(38,555)</u>	<u>(40,455)</u>	<u>(43,514)</u>	<u>(42,163)</u>	<u>(39,328)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

**Columbiana Exempted Village School District, Ohio**

*Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018*

**Net Pension Liability**

**Changes in Assumptions – SERS**

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

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

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

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

**Changes in Assumptions - STRS**

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

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally

## Columbiana Exempted Village School District, Ohio

Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

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using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

### Net OPEB Liability

#### Changes in Assumptions – SERS

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

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

#### Changes in Assumptions – STRS

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

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

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# OHIO AUDITOR OF STATE KEITH FABER



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

Columbiana Exempted Village School District  
Columbiana County  
700 Columbiana-Waterford Road  
Columbiana, Ohio 4408

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 Columbiana Exempted Village School District, Columbiana County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 24, 2019, wherein noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

April 24, 2019

# OHIO AUDITOR OF STATE KEITH FABER



**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 23, 2019**