

Symmes Valley Local School District
Lawrence County
Single Audit
For the Fiscal Year Ended June 30, 2018



Millhuff-Stang

CERTIFIED PUBLIC ACCOUNTANT

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OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Symmes Valley Local School District
14778 State Route 141
Willow Wood, OH 45696

We have reviewed the *Independent Auditor's Report* of Symmes Valley Local School District, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Symmes Valley Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 1, 2019

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Symmes Valley Local School District
Lawrence County
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For the Fiscal Year Ended June 30, 2018

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Independent Auditor's Report

Board of Education
Symmes Valley Local School District
14778 State Route 141
Willow Wood, Ohio 45696

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Symmes Valley Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Symmes Valley Local School District, Lawrence County, Ohio, as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The 2018 financial statements have been restated due to this implementation. 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 that the Management's Discussion and Analysis, the Schedules of the School District's Proportionate Share of the Net Pension and OPEB Liabilities, and the Schedules of the School District's Contributions on pages 4 through 13 and 58 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

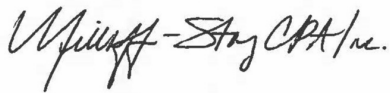
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Expenditures, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

February 15, 2019

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- Net position of governmental activities increased \$4,931,003.
- General revenues accounted for \$9,798,418 in revenue or 82.3 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,105,396 or 17.7 percent of total revenues of \$11,903,814.
- The School District had \$6,972,811 in expenses related to governmental activities; only \$2,105,396 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$9,798,418 were adequate to cover the remaining expenses.
- The School District has one major fund, the General Fund, which had \$10,688,103 in revenues and \$10,004,422 in expenditures. The General Fund's balance increased \$591,294.
- Total governmental funds had \$11,829,851 in revenues and \$11,210,401 in expenditures. The total governmental fund balance increased \$619,450.

USING THE BASIC FINANCIAL STATEMENTS

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

The Statement of Net Position and the 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 as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

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

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio 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 activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. Fund financial reports 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 only major governmental fund is the General Fund.

Governmental Funds All 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 fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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 differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for fiduciary funds.

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

THE SCHOOL DISTRICT AS A WHOLE

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.

**Table 1
Net Position**

| | Governmental Activities | | |
|---------------------------------------|-------------------------|---------------|-------------|
| | 2018 | 2017* | Change |
| Assets | | | |
| Current and Other Assets | \$7,335,843 | \$6,638,052 | \$697,791 |
| Capital Assets | 7,491,560 | 7,769,567 | (278,007) |
| Total Assets | 14,827,403 | 14,407,619 | 419,784 |
| Deferred Outflows of Resources | | | |
| Pensions | 4,040,625 | 2,794,467 | 1,246,158 |
| OPEB | 254,789 | 22,267 | 232,522 |
| Total Deferred Outflows of Resources | 4,295,414 | 2,816,734 | 1,478,680 |
| Liabilities | | | |
| Long-Term Liabilities | 14,497,358 | 18,181,903 | (3,684,545) |
| Other Liabilities | 1,007,096 | 1,003,138 | 3,958 |
| Total Liabilities | 15,504,454 | 19,185,041 | (3,680,587) |
| Deferred Inflows of Resources | | | |
| Property Taxes | 925,568 | 918,718 | 6,850 |
| Pensions | 381,901 | 24,462 | 357,439 |
| OPEB | 283,759 | 0 | 283,759 |
| Total Deferred Inflows of Resources | 1,591,228 | 943,180 | 648,048 |
| Net Position | | | |
| Net Investment in Capital Assets | 7,011,937 | 7,224,979 | (213,042) |
| Restricted | 268,149 | 140,060 | 128,089 |
| Unrestricted (Deficit) | (5,252,951) | (10,268,907) | 5,015,956 |
| Total Net Position | \$2,027,135 | (\$2,903,868) | \$4,931,003 |

*Restated. See Note 3 of the notes to the basic financial statements for additional information.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 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.

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the employment exchange also knowing that there is a specific, legal limit to its contributions 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 benefits. 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 the 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 \$24,344 to (\$2,903,868).

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

Total assets of governmental activities increased \$419,784. This is primarily due to cash and cash equivalents increasing \$603,022, combined with decreases of \$278,007 in capital assets. The increase noted in cash and cash equivalents is the result of the change in the State Funding Model resulting in the implementation of Capacity Aid. Capital asset decreases are the result of additions not keeping pace with depreciation.

In total, liabilities decreased \$3,680,587. This is primarily due to decreases in Net Pension Liability of \$3,212,017 and Net OPEB Liability of \$416,780.

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 \$22,267 computed under GASB 45. GASB 45 required recognizing OPEB 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 \$335,016. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | |
|--|-----------------------------|
| Total 2018 program expenses under GASB 75 | \$6,972,811 |
| Negative OPEB expense under GASB 75 | 335,016 |
| 2018 contractually required contribution | <u>30,527</u> |
| Adjusted 2018 program expenses | 7,338,354 |
| Total 2017 program expenses under GASB 45 | <u>11,488,143</u> |
| Decrease in program expenses not related to OPEB | <u><u>(\$4,149,789)</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 \$1,238,869 in fiscal year 2017 to a negative pension expense of \$3,324,841 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

| Program Expenses | 2018 Program Expenses Related to Negative Pension Expense |
|--|--|
| Instruction: | |
| Regular | (\$1,933,664) |
| Special | (644,560) |
| Vocational | (85,810) |
| Support Services : | |
| Pupils | (202,017) |
| Instructional Staff | (51,788) |
| Board of Education | (1,220) |
| Administration | (270,859) |
| Fiscal | (18,267) |
| Operation and Maintenance of Plant | (47,832) |
| Pupil Transportation | (51,745) |
| Central | (6,226) |
| Operation of Non-Instructional Services: | |
| Food Service | (10,853) |
| Total Expenses | (\$3,324,841) |

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

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

| Table 2 | | | |
|---|-------------------------|----------------------|--------------------|
| Changes in Net Position | | | |
| | Governmental Activities | | |
| Revenues | 2018 | 2017 | Change |
| Program Revenues: | | | |
| Charges for Services | \$1,021,982 | \$1,047,192 | (\$25,210) |
| Operating Grants, Contributions and Interest | 1,064,322 | 1,073,932 | (9,610) |
| Capital Grants, Contributions and Interest | 19,092 | 18,634 | 458 |
| | <u>2,105,396</u> | <u>2,139,758</u> | <u>(34,362)</u> |
| General Revenues: | | | |
| Property Taxes | 1,402,991 | 1,363,906 | 39,085 |
| Grants and Entitlements | 8,293,370 | 7,903,384 | 389,986 |
| Investment Earnings | 40,062 | 35,130 | 4,932 |
| Payments in Lieu of Taxes | 4,784 | 4,784 | 0 |
| Miscellaneous | 57,211 | 43,736 | 13,475 |
| Insurance Recoveries | 0 | 12,582 | (12,582) |
| | <u>9,798,418</u> | <u>9,363,522</u> | <u>434,896</u> |
| Total Revenues | <u>11,903,814</u> | <u>11,503,280</u> | <u>400,534</u> |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | 2,114,813 | 4,627,143 | (2,512,330) |
| Special | 774,712 | 1,564,150 | (789,438) |
| Vocational | 74,865 | 192,564 | (117,699) |
| Support Services: | | | |
| Pupils | 126,944 | 379,605 | (252,661) |
| Instructional Staff | 75,962 | 167,062 | (91,100) |
| Board of Education | 260,685 | 177,493 | 83,192 |
| Administration | 260,275 | 640,351 | (380,076) |
| Fiscal | 302,894 | 445,617 | (142,723) |
| Operation and Maintenance of Plant | 988,392 | 1,057,773 | (69,381) |
| Pupil Transportation | 968,013 | 1,242,220 | (274,207) |
| Central | 218,870 | 212,106 | 6,764 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 506,789 | 493,551 | 13,238 |
| Extracurricular Activities | 293,522 | 281,504 | 12,018 |
| Interest and Fiscal Charges | 6,075 | 7,004 | (929) |
| Total Expenses | <u>6,972,811</u> | <u>11,488,143</u> | <u>(4,515,332)</u> |
| Changes in Net Position | <u>4,931,003</u> | <u>15,137</u> | <u>4,915,866</u> |
| Net Position at Beginning of Year - Restated | <u>(2,903,868)</u> | N/A | |
| Net Position at End of Year | <u>\$2,027,135</u> | <u>(\$2,903,868)</u> | <u>\$4,931,003</u> |

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.

Property taxes made up approximately 11.8 percent of revenues for governmental activities for the Symmes Valley Local School District. Of the remaining revenues, the School District receives 78.8 percent from state foundation, federal, and state grants; 8.6 percent from charges for services; and 0.8 percent from interest and local entities.

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the healthy increase in the District's taxable value accompanied by only incremental increases in tax revenue. Property taxes made up 11.8 percent of revenues for governmental activities for Symmes Valley Local School District in 2018. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 42.5 percent of the School District's budget is used to fund instructional expenses. Support services make up 45.9 percent of expenses and 11.6 percent is used for fiscal charges, extracurricular activities, and non-instructional services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

| | 2018 Total Cost of Services | 2018 Net Cost of Services | 2017 Total Cost of Services | 2017 Net Cost of Services |
|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program Expenses | | | | |
| Instruction: | | | | |
| Regular | \$2,114,813 | \$1,038,849 | \$4,627,143 | \$3,521,770 |
| Special | 774,712 | 361,909 | 1,564,150 | 1,169,193 |
| Vocational | 74,865 | 36,845 | 192,564 | 160,538 |
| Support Services: | | | | |
| Pupils | 126,944 | 126,944 | 379,605 | 379,605 |
| Instructional Staff | 75,962 | 75,962 | 167,062 | 167,062 |
| Board of Education | 260,685 | 260,685 | 177,493 | 177,493 |
| Administration | 260,275 | 260,275 | 640,351 | 637,135 |
| Fiscal | 302,894 | 302,894 | 445,617 | 445,617 |
| Operation and Maintenance of Plant | 988,392 | 928,279 | 1,057,773 | 924,043 |
| Pupil Transportation | 968,013 | 968,013 | 1,242,220 | 1,242,220 |
| Central | 218,870 | 152,444 | 212,106 | 212,106 |
| Non-Instructional Services: | | | | |
| Food Service Operations | 506,789 | 135,666 | 493,551 | 128,696 |
| Extracurricular Activities | 293,522 | 212,575 | 281,504 | 175,903 |
| Interest and Fiscal Charges | 6,075 | 6,075 | 7,004 | 7,004 |
| Totals | \$6,972,811 | \$4,867,415 | \$11,488,143 | \$9,348,385 |

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 70 percent of total expenses are supported through taxes and other general revenues.

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,829,851 and expenditures of \$11,210,401.

The fund balance of the General Fund increased \$591,294. The General Fund's unassigned fund balance of \$5,002,481 represented 50.0% of current year expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal 2018, the School District did amend its General Fund estimated revenues. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$10,615,641, which represented a 9.3 percent change from original estimates of \$9,710,034. The final budget basis expenditure estimate of \$10,034,007 represented a 6.9 percent change from original estimates of \$9,385,000.

The School District's ending unobligated General Fund balance was \$5,525,580.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had \$7,491,560 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets at June 30
(Net of Depreciation)

| | Governmental Activities | |
|---------------------------------------|-------------------------|--------------------|
| | 2018 | 2017 |
| Land | \$111,779 | \$111,779 |
| Land Improvements | 566,725 | 603,711 |
| Buildings and Improvements | 5,848,599 | 6,130,585 |
| Furniture, Fixtures, and Equipment | 545,531 | 499,886 |
| Vehicles | 418,926 | 423,606 |
| Totals | <u>\$7,491,560</u> | <u>\$7,769,567</u> |

For additional information on capital assets, see Note 12 to the basic financial statements.

Debt

At June 30, 2018, the School District had an Energy Conservation Loan and an Energy Conservation Lease-Purchase Agreement outstanding. Table 5 shows fiscal year 2018 balances compared to 2017.

Symmes Valley Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

| | <u>Governmental Activities</u> | |
|-------------------------------------|--------------------------------|------------------|
| | <u>2018</u> | <u>2017</u> |
| House Bill 264 Energy Conservation: | | |
| Energy Conservation Loan | \$433,665 | \$468,979 |
| Lease-Purchase Agreement | 45,958 | 75,609 |
| Totals | <u>\$479,623</u> | <u>\$544,588</u> |

For additional information on debt, see Note 16 to the basic financial statements.

CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (approximately 78.8 percent of the School District's operating funds come from State foundation payments and other Federal grants and entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. Though, the School District has started to realize small increases in student enrollment and while State revenue growth has shifted toward school districts with low property tax wealth, these changes will not be enough to continue to offset the increased costs experienced over the last several years.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (increased utility and fuel costs, capital maintenance). In the long run, the fact remains that as long as the State avoids the complete systematic overhaul the Supreme Court ordered in its initial ruling, all schools in Ohio will be faced with the same problem in the future – either increasing its revenue (passing levies) or decreasing expenses (making budget cuts).

As the preceding information shows, the School District continues to depend upon its taxpayers. Although Symmes Valley Local School District has attempted to keep spending in line with revenues, and carefully watched financial planning, it must improve its revenue to expense ratios if the School District hopes to remain on firm financial footing.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Jack Webb, Treasurer at Symmes Valley Local School District, 14778 State Route 141, Willow Wood, Ohio 45696.

Symmes Valley Local School District, Ohio
Statement of Net Position
June 30, 2018

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$5,797,908 |
| Materials and Supplies Inventory | 5,296 |
| Intergovernmental Receivable | 178,413 |
| Property Taxes Receivable | 1,346,242 |
| Accrued Interest Receivable | 30 |
| Accounts Receivable | 7,954 |
| Nondepreciable Capital Assets | 111,779 |
| Depreciable Capital Assets, Net | 7,379,781 |
| <i>Total Assets</i> | 14,827,403 |
| Deferred Outflows of Resources | |
| Pensions | 4,040,625 |
| OPEB | 254,789 |
| <i>Total Deferred Outflows of Resources</i> | 4,295,414 |
| Liabilities | |
| Accounts Payable | 146,120 |
| Accrued Wages and Benefits Payable | 597,815 |
| Intergovernmental Payable | 209,696 |
| Vacation Benefits Payable | 52,503 |
| Accrued Interest Payable | 962 |
| Long-Term Liabilities: | |
| Due within One Year | 102,952 |
| Due in More than One Year: | |
| Net Pension Liability (See Note 13) | 11,101,215 |
| Not OPEB Liability (See Note 14) | 2,533,699 |
| Other Amounts Due in More than One Year | 759,492 |
| <i>Total Liabilities</i> | 15,504,454 |
| Deferred Inflows of Resources | |
| Property Taxes not Levied to Finance Current Year Operations | 925,568 |
| Pensions | 381,901 |
| OPEB | 283,759 |
| <i>Total Deferred Inflows of Resources</i> | 1,591,228 |
| Net Position | |
| Net Investment in Capital Assets | 7,011,937 |
| Restricted for: | |
| Debt Service | 3,143 |
| Capital Projects | 117,439 |
| Other Purposes | 104,626 |
| Budget Stabilization | 42,941 |
| Unrestricted (Deficit) | (5,252,951) |
| <i>Total Net Position</i> | \$2,027,135 |

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June, 30, 2018

| | Expenses | Program Revenues | | Governmental Activities | Net (Expense) Revenue and Changes in Net Position |
|--|--------------------|----------------------|--|-------------------------|---|
| | | Charges for Services | Operating Grants, Contributions and Interest | | |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$2,114,813 | \$933,771 | \$142,193 | \$0 | (\$1,038,849) |
| Special | 774,712 | 0 | 412,803 | 0 | (361,909) |
| Vocational | 74,865 | 0 | 38,020 | 0 | (36,845) |
| Support Services: | | | | | |
| Pupils | 126,944 | 0 | 0 | 0 | (126,944) |
| Instructional Staff | 75,962 | 0 | 0 | 0 | (75,962) |
| Board of Education | 260,685 | 0 | 0 | 0 | (260,685) |
| Administration | 260,275 | 0 | 0 | 0 | (260,275) |
| Fiscal | 302,894 | 0 | 0 | 0 | (302,894) |
| Operation and Maintenance of Plant | 988,392 | 0 | 41,021 | 19,092 | (928,279) |
| Pupil Transportation | 968,013 | 0 | 0 | 0 | (968,013) |
| Central | 218,870 | 0 | 66,426 | 0 | (152,444) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 506,789 | 8,657 | 362,466 | 0 | (135,666) |
| Extracurricular Activities | 293,522 | 79,554 | 1,393 | 0 | (212,575) |
| Interest and Fiscal Charges | 6,075 | 0 | 0 | 0 | (6,075) |
| Totals | \$6,972,811 | \$1,021,982 | \$1,064,322 | \$19,092 | (4,867,415) |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 1,270,016 |
| Permanent Improvements | | | | | 113,308 |
| Classroom Facilities Maintenance | | | | | 19,667 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 8,293,370 |
| Investment Earnings | | | | | 40,062 |
| Payment in Lieu of Taxes | | | | | 4,784 |
| Miscellaneous | | | | | 54,854 |
| Gifts and Donations | | | | | 2,357 |
| Total General Revenues | | | | | 9,798,418 |
| Change in Net Position | | | | | 4,931,003 |
| Net Position at Beginning of Year - Restated (See Note 3) | | | | | (2,903,868) |
| Net Position at End of Year | | | | | \$2,027,135 |

See accompanying notes to the basic financial statements

Symmes Valley Local Schhol District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2018*

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------------|---|---|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$5,592,297 | \$162,670 | \$5,754,967 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 42,941 | 0 | 42,941 |
| Receivables: | | | |
| Property Taxes | 1,252,617 | 93,625 | 1,346,242 |
| Intergovernmental | 93,856 | 84,557 | 178,413 |
| Accrued Interest | 30 | 0 | 30 |
| Interfund | 21,295 | 0 | 21,295 |
| Accounts | 7,954 | 0 | 7,954 |
| Materials and Supplies Inventory | 0 | 5,296 | 5,296 |
| Total Assets | <u>\$7,010,990</u> | <u>\$346,148</u> | <u>\$7,357,138</u> |
| | | | |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$135,753 | \$10,367 | \$146,120 |
| Accrued Wages and Benefits Payable | 536,944 | 60,871 | 597,815 |
| Interfund Payable | 0 | 21,295 | 21,295 |
| Intergovernmental Payable | 200,219 | 9,477 | 209,696 |
| Total Liabilities | <u>872,916</u> | <u>102,010</u> | <u>974,926</u> |
| | | | |
| Deferred Inflows of Resources | | | |
| Property Taxes not Levied to Finance Current Year Operations | 871,624 | 53,944 | 925,568 |
| Unavailable Revenue - Grants | 0 | 68,365 | 68,365 |
| Unavailable Revenue - Delinquent Taxes | 196,305 | 20,335 | 216,640 |
| Total Deferred Inflows of Resources | <u>1,067,929</u> | <u>142,644</u> | <u>1,210,573</u> |
| | | | |
| Fund Balances | | | |
| Nonspendable | 0 | 5,296 | 5,296 |
| Restricted | 42,941 | 79,370 | 122,311 |
| Assigned | 24,723 | 99,852 | 124,575 |
| Unassigned (Deficits) | 5,002,481 | (83,024) | 4,919,457 |
| Total Fund Balances | <u>5,070,145</u> | <u>101,494</u> | <u>5,171,639</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$7,010,990</u> | <u>\$346,148</u> | <u>\$7,357,138</u> |

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2018*

| | | |
|---|--------------|--------------------|
| Total Governmental Fund Balances | | \$5,171,639 |
| <i>Amounts reported for governmental activities in the statement of net position are different because</i> | | |
| Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 7,491,560 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds: | | |
| Property Taxes | 216,640 | |
| Grants | 68,365 | 285,005 |
| Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available resources and therefore are not reported in the funds. | | (962) |
| The net pension/OPEB liability is not due and payable in the current financial period; therefore, the liability and related deferred inflows/outflows are not reported in the funds: | | |
| Deferred Outflows - Pension | 4,040,625 | |
| Deferred Inflows - Pension | (381,901) | |
| Net Pension Liability | (11,101,215) | |
| Deferred Outflows - OPEB | 254,789 | |
| Deferred Inflows - OPEB | (283,759) | |
| Net OPEB Liability | (2,533,699) | (10,005,160) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| House Bill 264 Energy Conservation Loan | (433,665) | |
| Energy Conservation Lease-Purchase Agreement | (45,958) | |
| Sick Leave Benefits Payable | (382,821) | |
| Vacation Benefits Payable | (52,503) | (914,947) |
| Net Position of Governmental Activities | | \$2,027,135 |

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

| | General | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$1,257,017 | \$131,694 | \$1,388,711 |
| Intergovernmental | 8,386,540 | 927,316 | 9,313,856 |
| Investment Earnings | 40,062 | 1,852 | 41,914 |
| Tuition and Fees | 933,771 | 0 | 933,771 |
| Charges for Services | 0 | 8,657 | 8,657 |
| Extracurricular | 13,718 | 65,836 | 79,554 |
| Payments in Lieu of Taxes | 4,784 | 0 | 4,784 |
| Donations | 2,357 | 1,393 | 3,750 |
| Miscellaneous | 49,854 | 5,000 | 54,854 |
| <i>Total Revenues</i> | <u>10,688,103</u> | <u>1,141,748</u> | <u>11,829,851</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 4,342,686 | 112,972 | 4,455,658 |
| Special | 1,145,089 | 384,993 | 1,530,082 |
| Vocational | 181,873 | 4,196 | 186,069 |
| Support Services: | | | |
| Pupils | 372,824 | 0 | 372,824 |
| Instructional Staff | 131,266 | 0 | 131,266 |
| Board of Education | 262,964 | 0 | 262,964 |
| Administration | 582,916 | 6,347 | 589,263 |
| Fiscal | 320,008 | 6,158 | 326,166 |
| Operation and Maintenance of Plant | 1,081,088 | 145,908 | 1,226,996 |
| Pupil Transportation | 977,108 | 0 | 977,108 |
| Central | 326,792 | 1,592 | 328,384 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 0 | 472,765 | 472,765 |
| Extracurricular Activities | 208,353 | 71,048 | 279,401 |
| Debt Service: | | | |
| Principal Retirement | 65,056 | 0 | 65,056 |
| Interest and Fiscal Charges | 6,399 | 0 | 6,399 |
| <i>Total Expenditures</i> | <u>10,004,422</u> | <u>1,205,979</u> | <u>11,210,401</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>683,681</u> | <u>(64,231)</u> | <u>619,450</u> |
| Other Financing Sources (Uses) | | | |
| Transfers In | 0 | 92,387 | 92,387 |
| Transfers Out | (92,387) | 0 | (92,387) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(92,387)</u> | <u>92,387</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | 591,294 | 28,156 | 619,450 |
| <i>Fund Balances at Beginning of Year</i> | <u>4,478,851</u> | <u>73,338</u> | <u>4,552,189</u> |
| <i>Fund Balances at End of Year</i> | <u>\$5,070,145</u> | <u>\$101,494</u> | <u>\$5,171,639</u> |

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

| | | |
|--|------------------|-------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$619,450 |
| <i>Amounts reported for governmental activities in the statement of activities are different because</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period: | | |
| Capital Asset Additions | 395,053 | |
| Depreciation Expense | <u>(673,060)</u> | (278,007) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | | |
| Grants | 59,683 | |
| Delinquent Taxes | <u>14,279</u> | 73,962 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| | | 64,965 |
| Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position. | | |
| | | 324 |
| Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | 775,895 | |
| OPEB | <u>30,527</u> | 806,422 |
| Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | 3,324,841 | |
| OPEB | <u>335,016</u> | 3,659,857 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | | |
| Sick Leave Benefits Payable | (9,217) | |
| Vacation Benefits Payable | <u>(6,753)</u> | (15,970) |
| <i>Change in Net Position of Governmental Activities</i> | | <u><u>\$4,931,003</u></u> |

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$1,150,000 | \$1,208,250 | \$1,208,250 | \$0 |
| Intergovernmental | 7,582,500 | 8,370,494 | 8,370,494 | 0 |
| Investment Earnings | 32,500 | 40,067 | 40,067 | 0 |
| Tuition and Fees | 910,250 | 933,771 | 933,771 | 0 |
| Extracurricular | 0 | 13,718 | 13,718 | 0 |
| Revenue in Lieu of Taxes | 4,784 | 4,784 | 4,784 | 0 |
| Donations | 0 | 2,357 | 2,357 | 0 |
| Miscellaneous | 30,000 | 42,200 | 42,200 | 0 |
| Total Revenues | 9,710,034 | 10,615,641 | 10,615,641 | 0 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,023,108 | 4,301,321 | 4,301,321 | 0 |
| Special | 1,049,410 | 1,121,981 | 1,121,981 | 0 |
| Vocational | 174,456 | 186,520 | 186,520 | 0 |
| Support Services: | | | | |
| Pupils | 344,952 | 368,807 | 368,807 | 0 |
| Instructional Staff | 123,505 | 132,046 | 132,046 | 0 |
| Board of Education | 257,899 | 275,734 | 275,734 | 0 |
| Administration | 549,846 | 587,870 | 587,870 | 0 |
| Fiscal | 303,686 | 324,687 | 324,687 | 0 |
| Operation and Maintenance of Plant | 1,081,846 | 1,156,660 | 1,156,660 | 0 |
| Pupil Transportation | 915,083 | 978,364 | 978,364 | 0 |
| Central | 297,183 | 317,734 | 317,734 | 0 |
| Extracurricular Activities | 197,191 | 210,828 | 210,828 | 0 |
| Debt Service: | | | | |
| Principal | 60,849 | 65,056 | 65,056 | 0 |
| Interest and Fiscal Charges | 5,986 | 6,399 | 6,399 | 0 |
| Total Expenditures | 9,385,000 | 10,034,007 | 10,034,007 | 0 |
| Excess of Revenues Over Expenditures | 325,034 | 581,634 | 581,634 | 0 |
| Other Financing Sources (Uses) | | | | |
| Advances In | 0 | 65,684 | 65,684 | 0 |
| Transfers Out | (75,000) | (92,387) | (92,387) | 0 |
| Advances Out | 0 | (21,295) | (21,295) | 0 |
| Total Other Financing Sources (Uses) | (75,000) | (47,998) | (47,998) | 0 |
| Net Change in Fund Balance | 250,034 | 533,636 | 533,636 | 0 |
| Fund Balance at Beginning of Year | 4,860,400 | 4,860,400 | 4,860,400 | 0 |
| Prior Year Encumbrances Appropriated | 131,544 | 131,544 | 131,544 | 0 |
| Fund Balance at End of Year | \$5,241,978 | \$5,525,580 | \$5,525,580 | \$0 |

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

Assets

| | |
|--|------------------------|
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$38,560</u></u> |
|--|------------------------|

Liabilities

| | |
|-----------------|------------------------|
| Due to Students | <u><u>\$38,560</u></u> |
|-----------------|------------------------|

See accompanying notes to the basic financial statements

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District and Reporting Entity

Symmes Valley Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's two instructional/support facilities staffed by 40 classified employees and 65 certified teaching and 11 administrative personnel who provide services to 708 students and other community members.

Reporting Entity

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

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

The School District participates in four organizations, the Metropolitan Educational Technology Association, a jointly governed organization, and the Better Business Bureau of Central Ohio Workers' Compensation Group Retrospective Rating Program, the Ohio School Plan, and the Lawrence County Schools Council of Governments Health Benefits Program, which are defined as insurance purchasing pools. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the 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 are described below.

A. Basis of Presentation

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

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 the fiduciary funds. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). 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 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 function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal 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. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds utilized by the School District: governmental and fiduciary.

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 liabilities plus deferred inflows of resources is reported as fund balance. The following is the School District's only major governmental fund:

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

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

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The School District's only fiduciary funds are agency funds which account for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows and outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (revenues) and decreases (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, current liabilities, and certain deferred outflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

D. 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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, student 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 in the government-wide statement of net position for pension and OPEB plans. 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 as an inflow of resources (revenue) 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 are levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. 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.

E. 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". During fiscal year 2018, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund and the Permanent Improvements Capital Project Fund. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$40,062, which includes \$677 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 as cash and cash equivalents.

Symmes Valley Local School District, Ohio

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

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food.

G. Capital Assets

All of the School District’s capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). 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 capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|---------------------------------------|------------------------|
| Land Improvements | 20 years |
| Buildings and Improvements | 20-50 years |
| Furniture, Fixtures, and Equipment | 5-20 years |
| Vehicles | 3-10 years |

H. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used aren’t 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.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for Capital Improvements and Budget Stabilization. See Note 20 for additional information regarding set-asides.

Symmes Valley Local School District, Ohio

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

J. 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 School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

Sick leave benefits are accrued as a liability using the vesting 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 School District records a liability for accumulated unused sick leave for employees with ten or more years of current service with the School District.

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and 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. Bonds 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.

L. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" 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 it is imposed by law through constitutional provisions.

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

Symmes Valley Local School District, Ohio

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

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

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report deficit balances.

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 the amounts in any of the unrestricted fund balance classifications can be used.

M. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of position.

N. Estimates

The preparation of the 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.

O. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by 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 either through the enabling legislation or 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 and federal and state grants restricted for specific purposes.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Symmes Valley Local School District, Ohio

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

Q. Budgetary Process

All funds, other than the agency 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 authorized to allocate appropriations to the function and object levels.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. 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.

R. 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 the fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of the employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Note 3 – Changes in Accounting Principles 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 (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 the 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:

Symmes Valley Local School District, Ohio

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

| | |
|--|-----------------------------|
| Net Position June 30, 2017 | \$24,344 |
| Adjustments: | |
| Net OPEB Liability | (2,950,479) |
| Deferred Outflow - Payments Subsequent to Measurement Date | <u>22,267</u> |
| Restated Net Position June 30, 2017 | <u><u>(\$2,903,868)</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 were not available.

Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2018:

| | <u>Deficit</u> |
|-------------------------------|----------------|
| Special Revenue Funds: | |
| Food Service | \$22,842 |
| Title VI-B | 15,489 |
| Title I | 33,674 |
| Title II-A | 2,597 |
| Misc. Federal Grants | 2,502 |
| Student Support | 624 |

These deficits resulted from payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Fund Balances

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

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

Symmes Valley Local School District, Ohio

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

| Fund Balances | General Fund | Other Governmental Funds | Total |
|----------------------------------|---------------------------|--------------------------------|---------------------------|
| Nonspendable: | | | |
| Materials and Supplies Inventory | \$0 | \$5,296 | \$5,296 |
| Restricted for: | | | |
| Athletics | 0 | 3,932 | 3,932 |
| Debt Service | 0 | 3,143 | 3,143 |
| Capital Improvements | 0 | 65,676 | 65,676 |
| Other Purposes | 0 | 6,619 | 6,619 |
| Budget Stabilization | 42,941 | 0 | 42,941 |
| <i>Total Restricted</i> | <u>42,941</u> | <u>79,370</u> | <u>122,311</u> |
| Assigned to: | | | |
| Other Purposes | 24,723 | 0 | 24,723 |
| Capital Improvements | 0 | 99,852 | 99,852 |
| <i>Total Assigned</i> | <u>24,723</u> | <u>99,852</u> | <u>124,575</u> |
| Unassigned (Deficits) | <u>5,002,481</u> | <u>(83,024)</u> | <u>4,919,457</u> |
| <i>Total Fund Balances</i> | <u><u>\$5,070,145</u></u> | <u><u>\$101,494</u></u> | <u><u>\$5,171,639</u></u> |

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 Balances - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Symmes Valley Local School District, Ohio

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

Net Change in Fund Balance

| | |
|----------------------|-------------------------|
| GAAP Basis | \$591,294 |
| Revenue Accruals | (72,462) |
| Expenditure Accruals | 80,179 |
| Advances | 44,389 |
| Encumbrances | <u>(109,764)</u> |
| Budget Basis | <u><u>\$533,636</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.

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.

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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$5,779,521 of the School District's bank balance of \$6,029,521 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposited being secured. Effective July 1, 2018, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State.

Note 8 - Property Taxes

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

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

Public utility property tax revenue received in calendar 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 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 Lawrence and Gallia 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 and public utility 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 and is 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 – property taxes.

Symmes Valley Local School District, Ohio

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

The amount available as an advance at June 30, 2018, was \$184,688 in the General Fund, \$16,473 in the Permanent Improvements Capital Projects Fund, and \$2,873 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2017, was \$135,921 in the General Fund, \$12,225 in the Permanent Improvements Capital Projects Fund, and \$1,865 in the Classroom Facilities Maintenance Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as unavailable revenue.

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

| | <u>2017 Second Half Collections</u> | | <u>2018 First Half Collections</u> | |
|---|---|----------------|--|----------------|
| Agricultural/Residential and Other Real Estate | \$56,805,580 | 86.77% | \$57,246,660 | 86.36% |
| Public Utility Personal | 7,931,110 | 12.12% | 8,326,450 | 12.56% |
| Commercial/Industrial Real Property | <u>728,310</u> | <u>1.11%</u> | <u>717,430</u> | <u>1.08%</u> |
| Total | <u>\$65,465,000</u> | <u>100.00%</u> | <u>\$66,290,540</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of Assessed Valuation | \$23.00 | | \$23.00 | |

Note 9 - Receivables

Receivables at June 30, 2018, consisted of property taxes, accounts (rents, student fees, and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| <u>Governmental Activities</u> | <u>Amounts</u> |
|--------------------------------|------------------|
| Public Preschool | \$8,691 |
| HSTW | 3,000 |
| Title VI-B IDEA | 16,192 |
| Title I | 39,588 |
| Rural and Low Income | 7,086 |
| Student Support | 10,000 |
| E-Rate | 44,230 |
| Casino Revenue Tax | 21,303 |
| Miscellaneous | <u>28,323</u> |
| Total | <u>\$178,413</u> |

Symmes Valley Local School District, Ohio

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

Note 10 – Significant Commitments

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 are as follows:

Governmental Activities:

| | |
|--------------------------|--------------------------------|
| General Fund | \$109,764 |
| Other Governmental Funds | <u>14,466</u> |
| Total | <u><u>\$124,230</u></u> |

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2018, the School District contracted with Hylant Administrative Services for property and fleet insurance. The type and amount of coverage provided follows:

| <u>Property</u> | <u>Deductible</u> | <u>Limits of Coverage</u> |
|--|-------------------|---------------------------|
| Building and Contents - Replacement Cost | \$1,000 | \$39,252,099 |
| Vehicles: | | |
| Bodily Injury: | | |
| Per Person | 1,000 | 1,000,000 |
| Per Accident | 1,000 | 1,000,000 |
| Property Damage | 1,000 | 3,000,000 |
| Uninsured Motorist: | | |
| Per Person | 1,000 | 1,000,000 |
| Per Accident | 1,000 | 1,000,000 |

The School District has joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays its annual premium to the OSP (See Note 19).

Symmes Valley Local School District, Ohio

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

The types and amounts of coverage provided by the Ohio School Plan are as follows:

| Property | Deductible | Limits of Coverage |
|---|------------|--------------------|
| General Liability: | | |
| Each Occurrence | \$0 | \$3,000,000 |
| Aggregate Limit | 0 | 3,000,000 |
| Products - Completed Operations Aggregate Limit | 0 | 3,000,000 |
| Fire Legal Liability | 0 | 500,000 |
| Medical Expense Liability - per person/accident | 0 | 10,000 |
| Employers' Liability: | | |
| Each Occurrence | 0 | 3,000,000 |
| Per Disease Each Employee | 0 | 3,000,000 |
| Per Disease Aggregate | 0 | 3,000,000 |
| Employee Benefits Liability: | | |
| Each Occurrence | 2,500 | 3,000,000 |
| Aggregate Limit | 2,500 | 5,000,000 |
| Educational Liability: | | |
| Errors and Omissions - Each Occurrence | 2,500 | 3,000,000 |
| Errors and Omissions - Aggregate Limit | 2,500 | 5,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2017.

For fiscal year 2018, the School District participated in the Better Business Bureau of Central Ohio Workers' Compensation Group Retrospective 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 of 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, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP.

Group Health

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program to provide employee medical benefits. Rates are set through an annual calculation process. The School District pays monthly premiums to the fiscal agent, which is place into a Council Fund from which claim payments are made for all participating school districts. The School District pays 80% to 90% of the premium for all employees.

Claims are paid for all participants regardless of claims flow. Upon withdrawal from the program, no further contribution will be made and the school district will be distributed their net pooled share and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

Symmes Valley Local School District, Ohio

*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 at 6/30/17 | Additions | Deductions | Balance at 6/30/18 |
|---|-----------------------|--------------------|-----------------|-----------------------|
| Capital Assets: | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$111,779 | \$0 | \$0 | \$111,779 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 1,372,992 | 13,405 | 0 | 1,386,397 |
| Buildings and Improvements | 15,972,543 | 142,194 | 0 | 16,114,737 |
| Furniture, Fixtures, and Equipment | 1,019,814 | 150,005 | (8,802) | 1,161,017 |
| Vehicles | 1,582,229 | 89,449 | (58,441) | 1,613,237 |
| Total Depreciable Capital Assets | 19,947,578 | 395,053 | (67,243) | 20,275,388 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (769,281) | (50,391) | 0 | (819,672) |
| Buildings and Improvements | (9,841,958) | (424,180) | 0 | (10,266,138) |
| Furniture, Fixtures, and Equipment | (519,928) | (104,360) | 8,802 | (615,486) |
| Vehicles | (1,158,623) | (94,129) | 58,441 | (1,194,311) |
| Total Accumulated Depreciation | (12,289,790) | (673,060) * | 67,243 | (12,895,607) |
| Total Capital Assets being Depreciated, Net | 7,657,788 | (278,007) | 0 | 7,379,781 |
| Capital Assets, Net | \$7,769,567 | (\$278,007) | \$0 | \$7,491,560 |

*Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|------------------|
| Instruction: | |
| Regular | \$215,831 |
| Special | 86,321 |
| Vocational | 10,867 |
| Support Services: | |
| Pupils | 19,195 |
| Instructional Staff | 14,396 |
| Administration | 23,993 |
| Fiscal | 14,396 |
| Operation and Maintenance of Plant | 41,613 |
| Pupil Transportation | 173,899 |
| Central | 4,799 |
| Food Service Operations | 53,629 |
| Extracurricular Activities | 14,121 |
| Total Depreciation Expense | \$673,060 |

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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 represents a liability 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 represents 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/OPEB 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 all funding to come from these employers. All pension/OPEB contributions to date have come solely from these employers (which also includes 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 health care costs in the form of a monthly premium. State Statute requires the retirement systems to amortize unfunded 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 contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

School Employees Retirement System

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing, multiple employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. 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 may be obtained by visiting the SERS website at www.ohsers.org under Employer/Audit Resources.

Symmes Valley Local School District, Ohio

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, 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 \$189,874 for fiscal year 2018. Of this amount \$51,233 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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.

Symmes Valley Local School District, Ohio

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

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 will be 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 DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity 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 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 \$586,021 for fiscal year 2018. Of this amount \$107,404 is reported as an intergovernmental payable.

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:

Symmes Valley Local School District, Ohio

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

| | <u>SERS</u> | <u>STRS</u> | |
|---|--------------------|--------------------|---------------|
| Proportion of the Net Pension Liability Prior Measurement Date | 0.03850130% | 0.03434197% | |
| Proportion of the Net Pension Liability Current Measurement Date | <u>0.04088180%</u> | <u>0.03644934%</u> | |
| Change in Proportionate Share | <u>0.00238050%</u> | <u>0.00210737%</u> | |
| | | | <u>Total</u> |
| Proportionate Share of the Net Pension Liability | \$2,442,597 | \$8,658,618 | \$11,101,215 |
| Pension Expense | (\$158,435) | (\$3,166,406) | (\$3,324,841) |

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> |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$105,120 | \$334,356 | \$439,476 |
| Changes of assumptions | 126,309 | 1,893,735 | 2,020,044 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 133,248 | 671,962 | 805,210 |
| School District contributions subsequent to the measurement date | <u>189,874</u> | <u>586,021</u> | <u>775,895</u> |
| Total Deferred Outflows of Resources | <u>\$554,551</u> | <u>\$3,486,074</u> | <u>\$4,040,625</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$69,785 | \$69,785 |
| Net difference between projected and actual earnings on pension plan investments | 11,594 | 285,745 | 297,339 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | <u>5,963</u> | <u>8,814</u> | <u>14,777</u> |
| Total Deferred Inflows of Resources | <u>\$17,557</u> | <u>\$364,344</u> | <u>\$381,901</u> |

\$775,895 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:

Symmes Valley Local School District, Ohio

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

| | SERS | STRS | Total |
|-----------------------------|-----------|-------------|-------------|
| Fiscal Year Ending June 30: | | | |
| 2019 | \$140,266 | \$566,554 | \$706,820 |
| 2020 | 193,686 | 955,267 | 1,148,953 |
| 2021 | 70,110 | 734,453 | 804,563 |
| 2022 | (56,942) | 279,435 | 222,493 |
| Total | \$347,120 | \$2,535,709 | \$2,882,829 |

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 | 2.50 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 assumptions are that 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 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 ending June 30, 2015.

Symmes Valley Local School District, Ohio

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted 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 | \$3,389,690 | \$2,442,597 | \$1,649,214 |

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:

Symmes Valley Local School District, Ohio

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

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

For 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 the 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 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 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:

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

* 10 year annualized geometric nominal returns 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 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 | \$12,411,835 | \$8,658,618 | \$5,497,096 |

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 14 - Postemployment Benefits

See Note 13 for a description of the net OPEB liability

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org 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 \$23,495.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$30,527 for fiscal year 2018. Of this amount, \$25,393 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the

Symmes Valley Local School District, Ohio

Notes to the Basic Financial Statements

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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:

| | SERS | STRS | |
|--------------------------------------|-------------|-------------|-------------|
| Proportion of the Net OPEB Liability | | | |
| Prior Measurement Date | 0.03907780% | 0.03434197% | |
| Proportion of the Net OPEB Liability | | | |
| Current Measurement Date | 0.04141910% | 0.03644934% | |
| Change in Proportionate Share | 0.00234130% | 0.00210737% | |
| | | | Total |
| Proportionate Share of the Net | | | |
| OPEB Liability | \$1,111,581 | \$1,422,118 | \$2,533,699 |
| OPEB Expense | \$82,838 | (\$417,854) | (\$335,016) |

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

| | SERS | STRS | Total |
|--|-----------|-----------|-----------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$82,093 | \$82,093 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 45,566 | 96,603 | 142,169 |
| School District contributions subsequent to the measurement date | 30,527 | 0 | 30,527 |
| Total Deferred Outflows of Resources | \$76,093 | \$178,696 | \$254,789 |
| Deferred Inflows of Resources | | | |
| Changes of assumptions | \$105,483 | \$114,556 | \$220,039 |
| Net difference between projected and actual earnings on OPEB plan investments | 2,935 | 60,785 | 63,720 |
| Total Deferred Inflows of Resources | \$108,418 | \$175,341 | \$283,759 |

\$30,527 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:

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For the Fiscal Year Ended June 30, 2018*

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|-------------------|----------------|-------------------|
| Fiscal Year Ending June 30: | | | |
| 2019 | (\$22,443) | (\$4,507) | (\$26,950) |
| 2020 | (22,443) | (4,507) | (26,950) |
| 2021 | (17,232) | (4,507) | (21,739) |
| 2022 | (734) | (4,507) | (5,241) |
| 2023 | 0 | 10,689 | 10,689 |
| Thereafter | 0 | 10,694 | 10,694 |
| Total | <u>(\$62,852)</u> | <u>\$3,355</u> | <u>(\$59,497)</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.

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

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90 percent for male rates and 100 percent for female rates set back five years.

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

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

The 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%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | \$1,342,374 | \$1,111,581 | \$928,732 |

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| | 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 | \$901,964 | \$1,111,581 | \$1,389,010 |

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.

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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.

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 | \$1,909,172 | \$1,422,118 | \$1,037,188 |

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|---|--------------------|-------------------------------|--------------------|
| School District's proportionate share of the net OPEB liability | \$988,027 | \$1,422,118 | \$1,993,434 |

Note 15 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days vacation per fiscal year, depending upon length of service. Vacation from one fiscal year may be carried forward to future fiscal years. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 80 days.

B. Insurance Benefits

The School District provides medical, health, and prescription card coverage through Anthem Blue Cross and Blue Shield. The School District pays 90% of the total monthly premiums for those employees with the School District prior to June 30, 2013, and 80% for those employees hired after June 30, 2013, of \$2,156.46 for family coverage and \$873.06 for single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to certificated and administrative employees through Guardian Insurance Company in the amount of \$45,000.

The School District provides dental insurance through Guardian Insurance Company. The School District pays 75% of the total monthly premium of \$67.91 for family coverage and \$20.58 for single coverage.

Note 16 - Long-Term Obligations

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

| | Principal Outstanding 6/30/17 | Additions | Deductions | Principal Outstanding 6/30/18 | Amounts Due in One Year |
|--|-------------------------------------|-----------------|--------------------|-------------------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| House Bill 264 Energy Conservation: | | | | | |
| Energy Conservation Loan - 1.00% | \$468,979 | \$0 | \$35,314 | \$433,665 | \$35,759 |
| Lease-Purchase Agreement - 2.62% | 75,609 | 0 | 29,651 | 45,958 | 30,438 |
| Total HB 264 Obligations | <u>544,588</u> | <u>0</u> | <u>64,965</u> | <u>479,623</u> | <u>66,197</u> |
| Net Pension Liability: | | | | | |
| SERS | 2,817,940 | 0 | 375,343 | 2,442,597 | 0 |
| STRS | 11,495,292 | 0 | 2,836,674 | 8,658,618 | 0 |
| Total Net Pension Liabilities | <u>14,313,232</u> | <u>0</u> | <u>3,212,017</u> | <u>11,101,215</u> | <u>0</u> |
| Net OPEB Liability: | | | | | |
| SERS | 1,113,862 | 0 | 2,281 | 1,111,581 | 0 |
| STRS | 1,836,617 | 0 | 414,499 | 1,422,118 | 0 |
| Total Net OPEB Liability | <u>2,950,479</u> | <u>0</u> | <u>416,780</u> | <u>2,533,699</u> | <u>0</u> |
| Sick Leave Benefits Payable | 373,604 | 38,071 | 28,854 | 382,821 | 36,755 |
| Total Governmental Activities Long-Term Liabilities | <u>\$18,181,903</u> | <u>\$38,071</u> | <u>\$3,722,616</u> | <u>\$14,497,358</u> | <u>\$102,952</u> |

House Bill 264 Energy Conservation Obligations On September 19, 2014, the School District entered into a \$555,960 Energy Conservation Loan and entered into a \$145,074 Lease-Purchase Agreement for the purpose of improving and reducing energy consumption in each of the School District's instructional facilities. These obligations were issued through a loan and a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code.

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In accordance with the lease terms, the project assets are leased to US Bank Equipment Finance, and then subleased back to the School District. The lease-purchase agreement was issued through a series of annual leases with an initial lease term of five years which includes the right to renew for five successive one-year terms through December 31, 2018, subject to annual appropriations. 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 of 2.62%.

Annual base rent requirements to retire the HB 264 Energy Conservation Loan and the Lease-Purchase Agreement outstanding at June 30, 2018, are as follows:

| Fiscal Year Ending June 30, | Loan | | Lease-Purchase | | Total | |
|--------------------------------|------------------|-----------------|-----------------|----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | \$35,759 | \$4,247 | \$30,438 | \$1,011 | \$66,197 | \$5,258 |
| 2020 | 36,208 | 3,888 | 15,520 | 204 | 51,728 | 4,092 |
| 2021 | 36,480 | 3,526 | 0 | 0 | 36,480 | 3,526 |
| 2022 | 36,845 | 3,160 | 0 | 0 | 36,845 | 3,160 |
| 2023 | 37,215 | 2,791 | 0 | 0 | 37,215 | 2,791 |
| 2024-2028 | 191,745 | 8,283 | 0 | 0 | 191,745 | 8,283 |
| 2029-2030 | 59,413 | 588 | 0 | 0 | 59,413 | 588 |
| | <u>\$433,665</u> | <u>\$26,483</u> | <u>\$45,958</u> | <u>\$1,215</u> | <u>\$479,623</u> | <u>\$27,698</u> |

Sick leave benefits and employer pension/OPEB contributions are made from the following funds: General Fund, and the Food Service, Title VI-B Idea, and the Title I Special Revenue Funds. For additional information related to the net pension and OPEB liabilities see Notes 13 and 14.

The School District's overall legal debt margin was \$5,773,523, with an unvoted debt margin of \$161,880 at June 30, 2018

Note 17 - Interfund Activity and Balances

A. Transfers

During fiscal year 2018, the General Fund made transfers to the Food Service and Athletics Special Revenue Funds in the amounts of \$87,791 and \$4,596, respectively. These transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

B. Interfund Balances

Interfund balances at June 30, 2018, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

Symmes Valley Local School District, Ohio

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| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|----------------------------------|----------------------------------|-------------------------------|
| General Fund | <u>\$21,295</u> | <u>\$0</u> |
| Other Governmental Funds: | | |
| Title VI-B IDEA | 0 | 9,041 |
| Title I | 0 | 7,155 |
| Title II-A | 0 | 2,597 |
| Miscellaneous Federal | <u>0</u> | <u>2,502</u> |
| Total Other Governmental Funds | <u>0</u> | <u>21,295</u> |
| Total All Funds | <u><u>\$21,295</u></u> | <u><u>\$21,295</u></u> |

Note 18 - Jointly Governed Organization

Metropolitan Educational Technology Association

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2018, the School District paid \$87,888 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

Note 19 - Insurance Purchasing Pools

A. Lawrence County Schools Council of Governments Health Benefits Program

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the Council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each School District reserves the right to withdraw from the plan. If this is done, no further contributions will be made and the school district's net pooled share will be distributed and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

B. Better Business Bureau of Central Ohio Workers' Compensation Group Retrospective Rating Program

The School District participates in the Better Business Bureau of Central Ohio Worker's Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are

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conducted by a three member Board of trustees consisting of the President, the Vice President, and the Secretary. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between the OSP and member school districts.

Note 20 - Set-Aside Calculations

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 year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirements for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board of education be returned to the school district's General Fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau or Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers' Compensation in the budget reserve pursuant to State Statute and at June 30, 2018, this is all that continues to be set aside.

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

Symmes Valley Local School District, Ohio

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

| | Capital Improvements | Budget Reserve |
|---|-------------------------|-------------------|
| Set-Aside Balance as of as of June 30, 2017 | \$0 | \$42,941 |
| Current Year Set-Aside Requirement | 136,861 | 0 |
| Current Year Offsets | (191,551) | 0 |
| Qualifying Disbursements | (305,604) | 0 |
| Totals | <u>(\$360,294)</u> | <u>\$42,941</u> |
| Set-Aside Balance Carried Forward to Future Fiscal Years | <u>\$0</u> | <u>\$42,941</u> |
| Set-Aside Balance as of June 30, 2018 | <u>\$0</u> | <u>\$42,941</u> |

The School District has qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

Note 21 - Contingencies

A. Grants

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

B. Litigation

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

C. School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

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Symmes Valley Local School District, Ohio
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 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability | 0.04088180% | 0.03850130% | 0.03797700% | 0.03843000% | 0.03834300% |
| School District's Proportionate Share of the Net Pension Liability | \$2,442,597 | \$2,817,940 | \$2,094,184 | \$1,940,517 | \$2,280,135 |
| School District's Covered Payroll | \$1,443,957 | \$1,168,729 | \$1,142,830 | \$1,119,459 | \$992,921 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 169.16% | 241.11% | 183.25% | 173.34% | 229.64% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*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

Symmes Valley Local School District, Ohio
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 | 2015 | 2014 |
|---|-------------|--------------|-------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability | 0.03644934% | 0.03434197% | 0.03330307% | 0.03342978% | 0.03342978% |
| School District's Proportionate Share of the Net Pension Liability | \$8,658,618 | \$11,492,292 | \$9,203,995 | \$8,131,279 | \$9,685,927 |
| School District's Covered Payroll | \$4,199,743 | \$3,473,321 | \$3,624,729 | \$3,417,829 | \$3,508,777 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 206.17% | 330.87% | 253.92% | 237.91% | 276.05% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*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

Symmes Valley Local School District, Ohio
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 | 0.04141910% | 0.03907780% |
| School District's Proportionate Share of the Net OPEB Liability | \$1,111,581 | \$1,113,862 |
| School District's Covered Payroll | \$1,443,957 | \$1,168,729 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 76.98% | 95.31% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 12.46% | 11.49% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*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

Symmes Valley Local School District, Ohio
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 | 0.03644934% | 0.03434197% |
| School District's Proportionate Share of the Net OPEB Liability | \$1,422,118 | \$1,836,617 |
| School District's Covered Payroll | \$4,199,743 | \$3,473,321 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 33.86% | 52.88% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 47.10% | 37.30% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*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

Symmes Valley Local School District, Ohio
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> |
|--|------------------|------------------|------------------|------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$189,874 | \$202,154 | \$162,622 | \$150,625 |
| Contributions in Relation to the Contractually Required Contribution | <u>(189,874)</u> | <u>(202,154)</u> | <u>(162,622)</u> | <u>(150,625)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered Payroll (1) | \$1,406,474 | \$1,443,957 | \$1,168,729 | \$1,142,830 |
| Pension Contributions as a Percentage of Covered Payroll | <u>13.50%</u> | <u>14.00%</u> | <u>13.91%</u> | <u>13.18%</u> |
| Net OPEB Liability | | | | |
| Contractually Required Contribution (2) | \$30,527 | \$22,267 | \$22,035 | \$29,805 |
| Contributions in Relation to the Contractually Required Contribution | <u>(30,527)</u> | <u>(22,267)</u> | <u>(22,035)</u> | <u>(29,805)</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>1.54%</u> | <u>1.89%</u> | <u>2.61%</u> |
| Total Contributions as a Percentage of Covered Payroll (2) | <u>15.67%</u> | <u>15.54%</u> | <u>15.80%</u> | <u>15.79%</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 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$155,157 | \$130,073 | \$135,065 | \$123,091 | \$133,695 | \$87,352 |
| (155,157) | (130,073) | (135,065) | (123,091) | (133,695) | (87,352) |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,119,459 | \$939,834 | \$1,004,201 | \$979,244 | \$987,408 | \$887,724 |
| <u>13.86%</u> | <u>13.84%</u> | <u>13.45%</u> | <u>12.57%</u> | <u>13.54%</u> | <u>9.84%</u> |
| \$21,454 | \$18,250 | \$23,695 | \$32,393 | \$22,366 | \$56,101 |
| (21,454) | (18,250) | (23,695) | (32,393) | (22,366) | (56,101) |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>1.92%</u> | <u>1.94%</u> | <u>2.36%</u> | <u>3.31%</u> | <u>2.27%</u> | <u>6.32%</u> |
| <u>15.78%</u> | <u>15.78%</u> | <u>15.81%</u> | <u>15.88%</u> | <u>15.81%</u> | <u>16.16%</u> |

Symmes Valley Local School District, Ohio
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> |
|--|------------------|------------------|------------------|------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$586,021 | \$587,964 | \$486,265 | \$507,462 |
| Contributions in Relation to the Contractually Required Contribution | <u>(586,021)</u> | <u>(587,964)</u> | <u>(486,265)</u> | <u>(507,462)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered Payroll (1) | \$4,185,864 | \$4,199,743 | \$3,473,321 | \$3,624,729 |
| Pension Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> | <u>14.00%</u> |
| Net OPEB Liability | | | | |
| 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> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$444,318 | \$456,141 | \$518,975 | \$430,301 | \$494,730 | \$521,887 |
| <u>(444,318)</u> | <u>(456,141)</u> | <u>(518,975)</u> | <u>(430,301)</u> | <u>(494,730)</u> | <u>(521,887)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$3,417,829 | \$3,508,777 | \$3,992,115 | \$3,310,008 | \$3,805,615 | \$4,014,515 |
| <u>13.00%</u> | <u>13.00%</u> | <u>13.00%</u> | <u>13.00%</u> | <u>13.00%</u> | <u>13.00%</u> |
| \$34,178 | \$35,088 | \$39,921 | \$33,100 | \$38,056 | \$40,145 |
| <u>(34,178)</u> | <u>(35,088)</u> | <u>(39,921)</u> | <u>(33,100)</u> | <u>(38,056)</u> | <u>(40,145)</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> |

Symmes Valley Local School District, Ohio
Notes to the 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:

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

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

Changes in Assumptions - STRS

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

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

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are

Symmes Valley Local School District, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

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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Symmes Valley Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2018

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through Entity Number | Federal CFDA Number | Federal Awards Expenditures |
|--|-------------------------------|------------------------|--------------------------------|
| <u>United States Department of Agriculture</u> | | | |
| <i>Passed through the Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 3L70 | 10.553 | \$104,295 |
| National School Lunch Program | 3L60 | 10.555 | 232,199 |
| National School Lunch Program - Non-Cash Assistance | N/A | 10.555 | 19,718 |
| Total Child Nutrition Cluster | | | <u>356,212</u> |
| Total United States Department of Agriculture | | | <u>356,212</u> |
| <u>United States Department of Education</u> | | | |
| <i>Passed through the Ohio Department of Education</i> | | | |
| Special Education Cluster: | | | |
| Special Education-Grants to States | 3M20 | 84.027 | <u>193,243</u> |
| Total Special Education Cluster | | | 193,243 |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 197,513 |
| Rural Education | 3Y80 | 84.358 | 7,502 |
| Supporting Effective Instruction State Grants | 3Y60 | 84.367 | <u>34,780</u> |
| Total United States Department of Education | | | <u>433,038</u> |
| Total Federal Financial Assistance | | | <u><u>\$789,250</u></u> |

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Symmes Valley Local School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2018

Note 1 – Basis of Presentation

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the School District's federal award programs. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Food Donation Program

The School District reports commodities consumed on the schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Note 4 – Child Nutrition Cluster

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Education
Symmes Valley Local School District
14778 State Route 141
Willow Wood, Ohio 45696

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Symmes Valley Local School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 15, 2019, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and restated beginning net position as a result of this implementation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

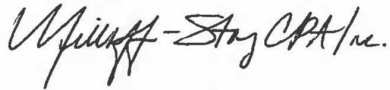
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

February 15, 2019

Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Education
Symmes Valley Local School District
14778 State Route 141
Willow Wood, Ohio 45696

Report on Compliance for Each Major Federal Program

We have audited Symmes Valley Local School District's, Lawrence County (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2018. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2018.

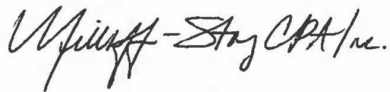
Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

February 15, 2019

Symmes Valley Local School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

| | |
|--|--|
| <i>Financial Statements</i> | |
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |
| <i>Federal Awards</i> | |
| Internal control over major program(s): | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditor’s report issued on compliance for major programs: | Unmodified |
| Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major program(s): | Nutrition Cluster (CFDA #10.555, 10.553) |
| Dollar threshold used to distinguish between type A and type B programs: | Type A: >\$750,000 Type B: all others |
| Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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OHIO AUDITOR OF STATE KEITH FABER



SYMMES VALLEY LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2019**