

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Teays Valley Local School District
385 Circleville Avenue
Ashville, OH 43103

We have reviewed the *Independent Auditor's Report* of Teays Valley Local School District, Pickaway County, prepared by Julian & Grube, 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

The Auditor of State is aware of a pending matter related to the District. The matter is ongoing and control or compliance issues, if any, related to this matter will be addressed in future audit reports.

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. Teays Valley Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 19, 2019

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary Information


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

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

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

Other Reporting Required by Government Auditing Standards

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



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased \$18,393,079 which represents a 146.26% increase from June 30, 2017's restated net position.
- General revenues accounted for \$40,917,099 in revenue or 86.02% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,652,437 or 13.98% for total revenues of \$47,569,536.
- The District had \$29,176,457 in expenses related to governmental activities; \$6,652,437 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$40,917,099 were adequate to provide for these programs.
- The District has two major funds which include the general fund and debt service fund. The general fund had \$40,012,685 in revenues and other financing sources and \$38,497,447 in expenditures. The general fund's fund balance increased \$1,513,000 from \$21,805,990 to \$23,318,990.
- The debt service fund had \$2,995,202 in revenues and \$2,528,254 in expenditures. The debt service fund's fund balance increased \$466,948 from \$2,568,529 to \$3,035,477.
- The District has \$78,185,941 in capital assets at June 30, 2018. This amount is net of accumulated depreciation in the amount of \$59,123,299. Fiscal year 2018 depreciation expense was \$4,852,355. Net investment in capital assets was \$47,847,759 at June 30, 2018.
- The District has \$90,952,696 in long-term liabilities outstanding at June 30, 2018. Of this total, \$2,260,459 is due within one year and \$88,692,237 is due in greater than one year.

Using these 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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and the debt service fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the statement of net position and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 21-22 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer 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 basic financial statements. The basic governmental fund financial statements can be found on pages 23-27 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 28-29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-76 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 78-91 of this report.

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2018 and 2017. The net position at June 30, 2017 have been restated as described in Note 3.

	Net Position		Percentage Change
	Governmental Activities 2018	Restated Governmental Activities 2017	
<u>Assets</u>			
Current and other assets	\$ 47,031,237	\$ 42,881,233	9.68 %
Capital assets, net	78,185,941	82,167,590	(4.85) %
Total assets	<u>125,217,178</u>	<u>125,048,823</u>	0.13 %
<u>Deferred Outflows of Resources</u>			
Unamortized deferred charges on debt refunding	804,209	860,569	(6.55) %
Pension	15,796,452	12,989,046	21.61 %
OPEB	620,896	81,316	663.56 %
Total deferred outflows of resources	<u>17,221,557</u>	<u>13,930,931</u>	23.62 %
<u>Liabilities</u>			
Current liabilities	4,564,115	4,042,198	12.91 %
Long-term liabilities:			
Due within one year	2,260,459	1,883,220	20.03 %
Due in more than one year:			
Net pension liability	46,477,356	62,629,715	(25.79) %
Net OPEB liability	10,298,317	12,624,822	(18.43) %
Other amounts	31,916,564	33,663,698	(5.19) %
Total liabilities	<u>95,516,811</u>	<u>114,843,653</u>	(16.83) %
<u>Deferred Inflows of Resources</u>			
Property taxes and PILOTs levied for next year	13,216,789	11,560,361	14.33 %
Pension	1,573,969	-	100.00 %
OPEB	1,162,347	-	100.00 %
Total deferred inflows of resources	<u>15,953,105</u>	<u>11,560,361</u>	38.00 %
<u>Net Position</u>			
Net investment in capital assets	47,847,759	50,176,626	(4.64) %
Restricted	3,735,658	3,427,151	9.00 %
Unrestricted	<u>(20,614,598)</u>	<u>(41,028,037)</u>	(49.75) %
Total net position	<u>\$ 30,968,819</u>	<u>\$ 12,575,740</u>	146.26 %

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the 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 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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 District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

As a result of implementing GASB 75, the 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 \$25,119,246 to \$12,575,740.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018 and June 30, 2017, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$30,968,819 and \$12,575,740, respectively. Net position increased \$18,393,079 from June 30, 2017.

Assets of the District increased \$168,355 or 0.13%. Current and other assets increased \$4,150,004 or 9.68%. This increase is due mainly to an increase in equity in pooled cash and investments and property taxes receivable. Equity in pooled cash and investments increased primarily due to increases in general fund revenues. Property taxes receivable increased due an increase in assessed values throughout the District. Capital assets decreased \$3,981,649 or 4.85% which is primarily a result of current year depreciation of \$4,852,355.

At year-end, capital assets represented 62.44% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets at June 30, 2018 and June 30, 2017, were \$47,847,759 and \$50,176,626, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

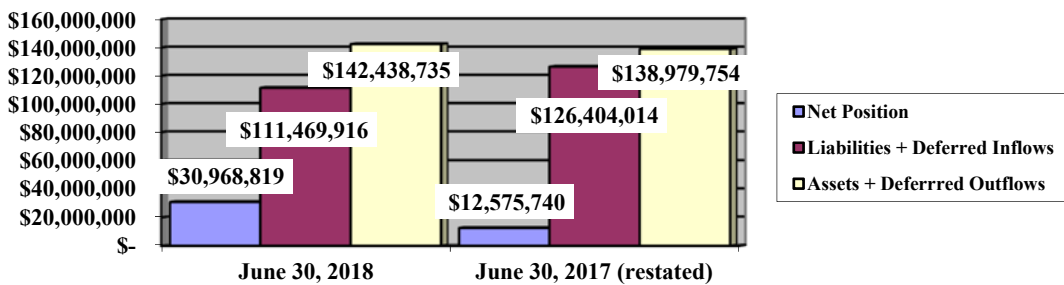
Deferred outflows of resources increased due to an increase in pension and OPEB related items that are provided by the pension systems.

Total liabilities decreased \$19,326,842 or 16.83%. Current liabilities of the District increased \$521,917 or 12.91%. This increase is due to increases in accrued wages and benefits and intergovernmental payable. The decrease of \$19,848,759 in long-term obligations is the result of a decrease in net pension liability and net OPEB liability due at fiscal year-end.

A portion of the District's net position, \$3,735,658 represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$3,054,468 is restricted for debt service. The remaining balance of unrestricted net position is (\$20,614,598).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and June 30, 2017. The amounts at June 30, 2017 have been restated as described in Note 3.

Governmental Activities



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.

	Change in Net Position		
	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 2,428,924	\$ 2,367,296	2.60 %
Operating grants and contributions	4,223,513	4,136,163	2.11 %
Capital grants and contributions	-	3,900	(100.00) %
General revenues:			
Property taxes	12,608,499	13,132,801	(3.99) %
Income taxes	7,352,565	7,048,987	4.31 %
Payment in lieu of taxes	113,046	38,413	194.29 %
Grants and entitlements not restricted	20,561,554	19,619,445	4.80 %
Investment earnings	229,562	170,543	34.61 %
Other	51,873	26,526	95.56 %
Total revenues	<u>47,569,536</u>	<u>46,544,074</u>	2.20 %
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	12,490,179	21,873,131	(42.90) %
Special	2,300,607	5,000,659	(53.99) %
Vocational	228,990	316,653	(27.68) %
Other	1,804,387	2,308,078	(21.82) %
Support services:			
Pupil	748,080	1,715,125	(56.38) %
Instructional staff	415,383	594,388	(30.12) %
Board of education	209,128	131,926	58.52 %
Administration	1,473,587	3,000,129	(50.88) %
Fiscal	805,970	1,058,364	(23.85) %
Business	331,267	429,343	(22.84) %
Operations and maintenance	3,140,804	4,044,362	(22.34) %
Pupil transportation	1,697,402	2,445,944	(30.60) %
Central	742,937	618,208	20.18 %
Operations of non-instructional services			
Other non-instructional services	38,247	47,992	(20.31) %
Food service operations	1,132,989	1,730,394	(34.52) %
Extracurricular activities	719,770	1,104,473	(34.83) %
Interest and fiscal charges	896,730	949,616	(5.57) %
Total expenses	<u>29,176,457</u>	<u>47,368,785</u>	(38.41) %
Change in net position	18,393,079	(824,711)	(2,330.25) %
Net position, beginning of year	<u>12,575,740</u>	N/A	-
Net position, end of year	<u>\$ 30,968,819</u>	<u>\$ 12,575,740</u>	146.26 %

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities

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 \$81,316 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 \$1,592,559. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 29,176,457
Negative OPEB expense under GASB 75	1,592,559
2018 contractually required contributions	<u>111,179</u>
Adjusted 2018 program expenses	30,880,195
Total 2017 program expenses under GASB 45	<u>47,368,785</u>
Decrease in program expenses not related to OPEB	<u>\$ (16,488,590)</u>

Net position of the District's governmental activities increased \$18,393,079 in fiscal year 2018 and decreased \$824,711 in fiscal year 2017. The overall increase in net position in fiscal year 2018 can be attributed mainly to increases in revenues that exceed a large decrease in expenses as described below. Total governmental expenses of \$29,176,457 were offset by program revenues of \$6,652,437 and general revenues of \$40,917,099 during fiscal year 2018. Program revenues supported 22.80% of the total governmental expenses during fiscal year 2018.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources account for 85.19% of total governmental revenue. Real estate property is reappraised every six years. The latest reappraisal by Pickaway County was in 2011. Property tax and income tax revenue decreased \$220,740 or 1.09% during fiscal year 2018. The decrease in property tax revenues can be attributed to a difference in amounts available for advance from the County Auditor at year-end. The increase in income tax revenues is the result of a strengthening economy and additional business throughout the District. Grants and entitlements increased due to additional funds received through the State's foundation program. The District saw increased in the opportunity grant and targeted assistance.

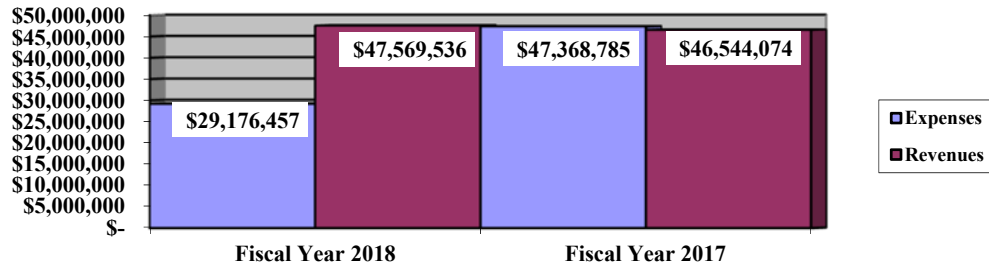
Expenses of the governmental activities decreased \$18,192,328 or 38.41%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$14,053,147) in pension expense and (\$1,592,559) in OPEB expense mainly due to these benefit changes.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2018 and 2017.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses				
Instruction:				
Regular	\$ 12,490,179	\$ 11,029,624	\$ 21,873,131	\$ 20,453,858
Special	2,300,607	(322,804)	5,000,659	2,548,780
Vocational	228,990	3,927	316,653	123,596
Other	1,804,387	1,777,270	2,308,078	2,291,358
Support services:				
Pupil	748,080	716,212	1,715,125	1,663,030
Instructional staff	415,383	364,174	594,388	531,182
Board of education	209,128	209,128	131,926	131,926
Administration	1,473,587	1,283,102	3,000,129	2,786,406
Fiscal	805,970	805,970	1,058,364	1,055,730
Business	331,267	331,267	429,343	344,250
Operations and maintenance	3,140,804	3,029,350	4,044,362	4,018,084
Pupil transportation	1,697,402	1,648,239	2,445,944	2,424,719
Central	742,937	730,337	618,208	605,608
Operations of non-instructional services:				
Other non-instructional services	38,247	38,247	47,992	47,992
Food service operations	1,132,989	(382,779)	1,730,394	135,655
Extracurricular activities	719,770	366,026	1,104,473	749,636
Interest and fiscal charges	896,730	896,730	949,616	949,616
Total	<u>\$ 29,176,457</u>	<u>\$ 22,524,020</u>	<u>\$ 47,368,785</u>	<u>\$ 40,861,426</u>

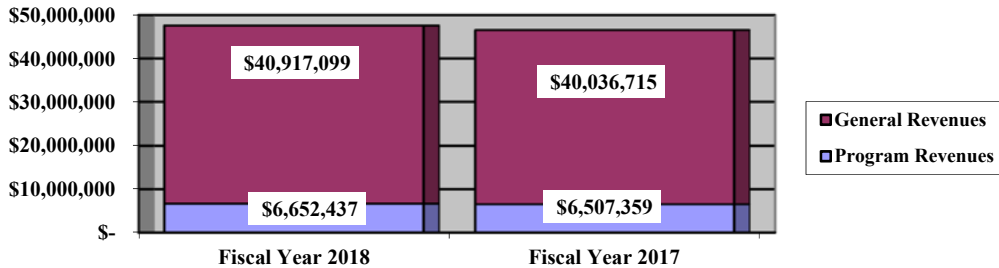
The dependence upon tax and other general revenues for governmental activities is apparent; 74.23% of instruction activities were supported through taxes and other general revenues during fiscal year 2017. For all governmental activities, general revenue support was 77.20% in fiscal year 2018. The District's taxpayers and grants and entitlements are by far the primary support for District students.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The graph below presents the District's governmental activities revenues for fiscal years 2018 and 2017.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$28,175,701, which is higher than last year's total of \$26,130,649. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 23,318,990	\$ 21,805,990	\$ 1,513,000	6.94 %
Debt Service	3,035,477	2,568,529	466,948	18.18 %
Other Governmental	<u>1,821,234</u>	<u>1,756,130</u>	<u>65,104</u>	3.71 %
Total	<u>\$ 28,175,701</u>	<u>\$ 26,130,649</u>	<u>\$ 2,045,052</u>	7.83 %

General Fund

During fiscal year 2018, the District's general fund balance increased by \$1,513,000. The District has maintained a judicious approach to spending which has helped the District achieve modest reserves. These reserves become critical as continued growth within the District is expected. Tax revenues increased by \$440. The decrease in property tax revenues can be attributed to the difference in amounts available for advance from the County Auditor at year-end. The increase in income tax revenues is the result of a strengthening economy and additional business throughout the District. Intergovernmental revenues increased \$1,257,464 or 6.04% due to higher state foundation revenue in the general fund.

Expenditures of the general fund increased \$3,672,739. The most significant increases were in the areas of support services and instruction. These increases were the results of increases in salaries and benefits paid to employees.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 16,267,083	\$ 16,266,643	\$ 440	0.00 %
Tuition	1,125,103	985,230	139,873	14.20 %
Earnings on investments	248,170	159,995	88,175	55.11 %
Intergovernmental	22,078,711	20,821,247	1,257,464	6.04 %
Other revenues	<u>291,809</u>	<u>271,484</u>	<u>20,325</u>	7.49 %
Total	<u>\$ 40,010,876</u>	<u>\$ 38,504,599</u>	<u>\$ 1,506,277</u>	3.91 %
<u>Expenditures</u>				
Instruction	\$ 24,564,021	\$ 22,276,990	\$ 2,287,031	10.27 %
Support services	13,173,852	11,810,041	1,363,811	11.55 %
Operation of non-instructional services	49,129	38,909	10,220	26.27 %
Extracurricular activities	627,547	615,870	11,677	1.90 %
Debt service	<u>82,898</u>	<u>82,898</u>	<u>-</u>	- %
Total	<u>\$ 38,497,447</u>	<u>\$ 34,824,708</u>	<u>\$ 3,672,739</u>	10.55 %

Debt Service Fund

During fiscal year 2018, the debt service fund had revenues of \$2,995,202 and expenditures of \$2,528,254. During fiscal year 2018, the debt service fund balance increased \$466,948. The increase in fund balance is the result of revenues exceeding scheduled principal and interest payments on general obligation bonds.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$40,794,422 were \$1,977,237 higher than the original budgeted revenues and other financing sources estimate of \$38,817,185. Actual revenues and other financing sources were \$40,794,422.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$57,094,926. Final appropriations and other financing uses were \$37,891,601 which was \$19,203,325 lower than original appropriations. Actual expenditures and other financing uses was \$37,891,601.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$78,185,941 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following table shows June 30, 2018 balances compared to June 30, 2017.

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>
Land	\$ 3,020,415	\$ 3,020,415
Land improvements	5,442,165	6,032,437
Buildings and improvements	64,708,500	68,003,665
Furniture and equipment	3,595,962	3,835,418
Vehicles	1,188,803	1,030,445
Infrastructure	<u>230,096</u>	<u>245,210</u>
Total	<u>\$ 78,185,941</u>	<u>\$ 82,167,590</u>

The capital assets decreased \$3,981,649. This is due to depreciation expense of \$4,852,355 and disposals (net of accumulated depreciation) of \$15,198 exceeding current year additions of \$885,904.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2018, the District had \$28,779,494 in general obligation bonds and capital lease obligations outstanding. The general obligation bond issues are comprised of current issue bonds. Of this total, \$1,932,394 is due within one year and \$26,847,100 is due in greater than one year.

The following table summarizes the bonds and capital lease obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2018</u>	<u>2017</u>
Series 2015 refunding bonds	\$ 13,440,000	\$ 14,215,000
Series 2016A refunding bonds	8,145,000	8,515,000
Series 2016B refunding bonds	7,035,000	7,345,000
Capital lease obligations	<u>159,494</u>	<u>233,550</u>
Total	<u>\$ 28,779,494</u>	<u>\$ 30,308,550</u>

During fiscal year 2006, the District refunded a portion of the 2000 series general obligation bonds on July 28, 2006. The annual interest rate ranges from 3.00% to 5.00% and the bonds are scheduled to mature in fiscal year 2028.

On March 22, 2007 and April 24, 2007, the District issued Series 2007 A and Series 2007 B general obligation bonds for a classroom facilities project. The annual interest rates range from 4.00% to 4.30% and the bonds are scheduled to mature in fiscal year 2035.

During fiscal year 2016, the District issued Series 2015, 2016A and 2016B to refund the District's previous general obligation bond debt. The new refunding bonds carry interest rates ranging from 2.00-4.00% and mature in fiscal year 2035.

The District's most recent bond issue maintained a Moody's Investors Service rating of Aa2.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The past five fiscal years (2014-2018) have proven pivotal in the District's progress toward financial sustainability. Tax collections from the replacement income tax issue are now being fully collected, and continued spending restraint has addressed past operational shortfalls. Of particular significance, the District approved a collaborative bargaining agreement covering fiscal year 2017 through fiscal year 2019 that has had a positive impact on the District's financial stability. Elements of the agreement included adjustments to the District's health insurance program that enabled affordable base wage increases for employees.

The current State funding system has also leveraged the district's local revenue since the new formula supplies additional funding. Since Teays Valley's state funding is not limited by any formula caps or guarantees, additional students translate to additional revenue (of course up to cap limitations). The District also implemented a full-day, every-day Kindergarten program for the first time in fiscal year 2015. While it may seem counterintuitive, the program has actually had a positive net impact on state funding and in turn a positive impact on the District's financial bottom line. More importantly though, the program has improved the educational services offered by the District.

The District's current financial outlook is stable. Nevertheless, the Board and District leadership team understand finances must be continually monitored. Maintaining financial sustainability is a continual process with the goal of providing the best possible education for the District's children.

Some of the primary factors currently influencing the financial outlook of the District are recapped below:

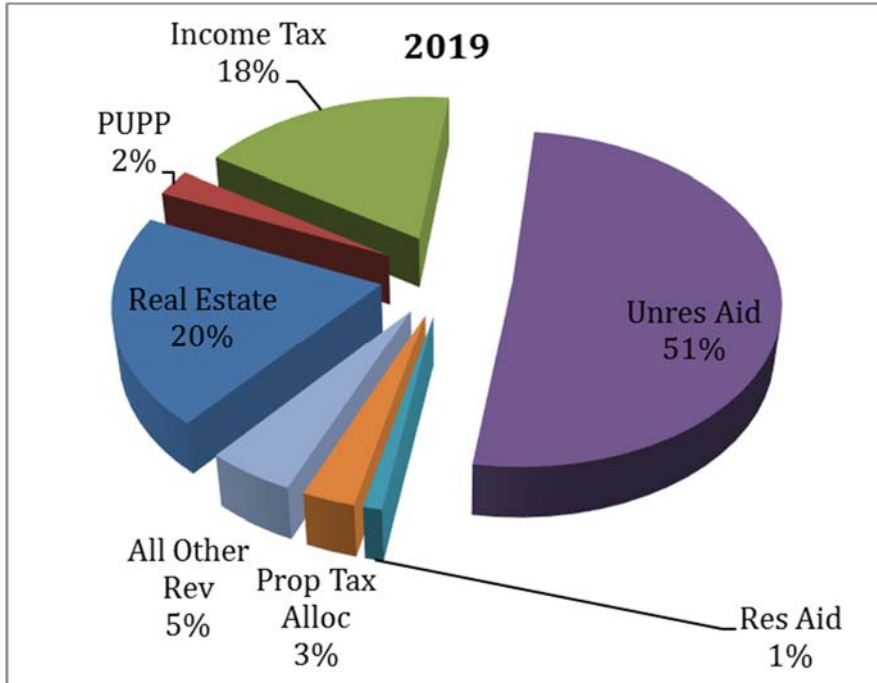
Overall Revenue:

Revenue growth is anticipated to remain healthy the next few fiscal years. Much of the anticipated growth is expected to be fueled by continued gains in local income tax collections combined with state funding increases. The District's operational revenue is expected to increase 2.47% on average for the period fiscal year 2019 through fiscal year 2023.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

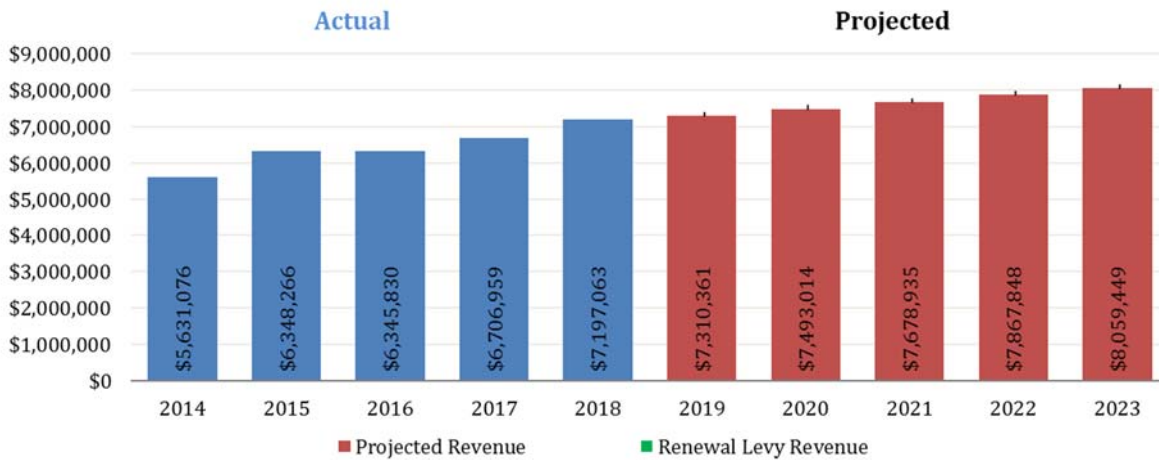
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The graphic below recaps the District's expected revenue sources for fiscal year 2019.



Replacement Income Tax Issue:

In an effort to preserve programming and educational opportunities, the Board proposed and passed a 1.5% replacement income tax issue in March 2012. The issue replaced a continuing 0.75% traditional income tax levy. The replacement issue ramped-up to full collection in fiscal year 2015 and is supplying significant additional revenue to support educational programming within the District. Since 2012, collections have more than doubled despite the fact the tax now only applies to "earned" income. This demonstrates the income growth that has occurred within the District since 2012.

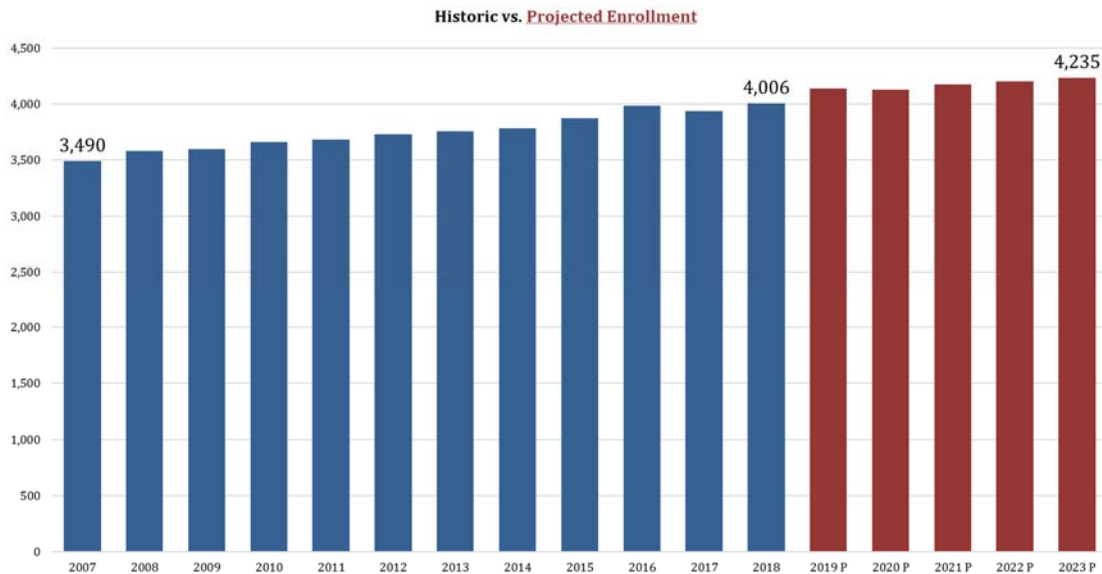


**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Student Enrollment:

Prior to the 2008 economic downturn, enrollment within the District had been growing by approximately a hundred students per year. From 2008 to 2012 enrollment slowed, which directly correlated to subdued residential housing growth. Beginning in 2013, enrollment growth began to pick back up and the District gained an 250 additional students by the end of 2018. Birth rate data obtained from the 2010 census combined with grade-level retention trends indicate the District can expect enrollment to continue to grow at a moderate pace through fiscal year 2023.



State Budget:

The state retained the basic framework of the school funding formula in its current budget covering fiscal year 2018 & fiscal year 2019. However, the per-pupil funding increases were limited to only \$10 per-pupil (or 0.167%) each year of the biennial. These levels are significantly lower than increases included in the prior two budgets.

The formula calculates the funding it sends to schools using a per-pupil funding approach (fiscal year 2019 = \$6,020) applied to its calculated state share percentage. The state share percentage, determined by the District's relative per pupil wealth compared to all other districts, is intended to represent the state's responsibility of the full \$6,020 per-pupil funding amount. The difference between the state share and the full per-pupil amount is assumed to be supplied locally. Teays Valley's state share percentage has remained consistent at near 52%, but is expected to grow (assuming a continuation of the current formula) aided by the District's rising enrollment. The formula also contains additional targeted components that help a district like Teays Valley. For example, additional funds are directed to districts with large agricultural tax bases as well as districts that have lower population density.

All Day Kindergarten:

Beginning in fiscal year 2015, Teays Valley offered a full-day, every-day Kindergarten program for its students. Historically, the District only offered a half-day Kindergarten program. That had always been due to the fact a full-day, every-day Kindergarten program would have added expense without providing additional funding, something the District could have ill-afforded. With the new state formula components, offering a full-day Kindergarten program enabled the District to fully count each student enrolled in the program for funding purposes. In other words, the new state formula supplies the full per-pupil funding amount for students enrolled in a full-day program as opposed to half funding for students enrolled in a half-day program. Since Teays Valley is formula funded, counting the additional student enrollment has generated more than enough funding to offset the cost of implementing and maintaining a full-day program. Further, assuming the structure of current formula remains in place in future biennials, adding the extra FTE's to the District's student count has reduced Teays Valley's future per-pupil wealth measurements, which benefit the District's state share calculations and in turn the funding the District can expect to receive.

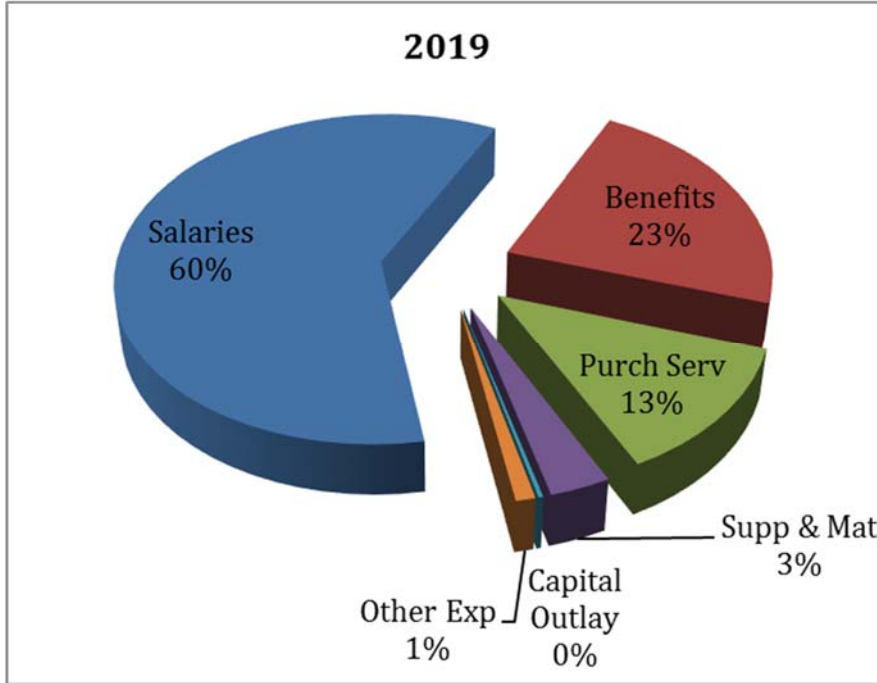
**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Overall Expenses:

Spending is expected to be maintained within sustainable levels.

The graphic below recaps where the District expects allocates its spending for fiscal year 2019.



Staffing & Collective Bargaining:

The Board and TVCTA ratified an agreement to increase base wages in fiscal year 2017 – fiscal year 2019 (base salaries will be increased 2.5% in fiscal year 2017, and are scheduled to increase 2.0% in both fiscal year 2018 and fiscal year 2019). The District added all-day Kindergarten in fiscal year 2015 and returned the salary of 7 technology and maintenance staff to the General Fund in fiscal year 2016 (previously funded by Permanent Improvement dollars). Staffing additions are anticipated and are a direct result of growing enrollment and the desire to replace positions lost during the economic crisis.

Enrollment Change Compared to Staffing Change					
	Year	Student		Employee	
		ADM	% Change	FTE	% Change
History	2013	3,757		330	
	2014	3,786	0.77%	334	1.21%
	2015	3,872	2.27%	344	2.99%
	2016	3,983	2.87%	362	5.23%
	2017	3,935	-1.21%	370	2.21%
	2018	4,006	1.80%	378	2.16%
Projected	2019	4,141	3.37%	389	2.91%
	2020	4,128	-0.31%	395	1.54%
	2021	4,178	1.21%	398	0.76%
	2022	4,201	0.55%	400	0.50%
	2023	4,235	0.81%	403	0.75%



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Health Insurance:

Effective January 1, 2014, the District implemented a new high deductible health insurance program combined with a health savings account (HSA) for employees. To a large extent, base wage increases have been achievable thanks to the excellent results of moving to a new high deductible health insurance plan. This new health plan has been essential to restoring a measure of fiscal stability to the District and is expected to continue to have a positive impact on the District's overall budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Stacy Overly, Treasurer, Teays Valley Local School District, 385 Circleville Avenue, Ashville, OH 43103-9417.

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 29,675,870
Receivables:	
Property taxes	14,054,415
Income taxes.	2,652,967
Payment in lieu of taxes	44,332
Accounts.	47,369
Accrued interest	136,613
Intergovernmental	274,980
Prepayments	59,275
Materials and supplies inventory.	61,358
Inventory held for resale.	24,058
Capital assets:	
Nondepreciable capital assets	3,020,415
Depreciable capital assets, net.	75,165,526
Capital assets, net	78,185,941
Total assets.	125,217,178
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	804,209
Pension	15,796,452
OPEB	620,896
Total deferred outflows of resources	17,221,557
 Liabilities:	
Accounts payable.	115,126
Accrued wages and benefits payable	3,440,483
Intergovernmental payable	360,063
Pension and postemployment benefits payable	568,367
Accrued interest payable	80,076
Long-term liabilities:	
Due within one year.	2,260,459
Due in more than one year:	
Net pension liability	46,477,356
Net OPEB liability.	10,298,317
Other amounts due in more than one year	31,916,564
Total liabilities	95,516,811
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	13,172,457
Payment in lieu of taxes levied for the next fiscal year	44,332
Pension	1,573,969
OPEB	1,162,347
Total deferred inflows of resources	15,953,105
 Net position:	
Net investment in capital assets	47,847,759
Restricted for:	
Classroom facilities maintenance	254,253
Debt service.	3,054,468
Locally funded programs	12,863
Student activities	74,537
Other purposes	339,537
Unrestricted (deficit)	(20,614,598)
Total net position.	\$ 30,968,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 12,490,179	\$ 1,299,393	\$ 161,162	\$ (11,029,624)
Special	2,300,607	30,325	2,593,086	322,804
Vocational	228,990	-	225,063	(3,927)
Other	1,804,387	-	27,117	(1,777,270)
Support services:				
Pupil	748,080	14,343	17,525	(716,212)
Instructional staff	415,383	29,285	21,924	(364,174)
Board of education	209,128	-	-	(209,128)
Administration	1,473,587	805	189,680	(1,283,102)
Fiscal	805,970	-	-	(805,970)
Business	331,267	-	-	(331,267)
Operations and maintenance	3,140,804	13,903	97,551	(3,029,350)
Pupil transportation	1,697,402	-	49,163	(1,648,239)
Central	742,937	-	12,600	(730,337)
Operation of non-instructional services:				
Other non-instructional services	38,247	-	-	(38,247)
Food service operations	1,132,989	772,938	742,830	382,779
Extracurricular activities	719,770	267,932	85,812	(366,026)
Interest and fiscal charges	896,730	-	-	(896,730)
Total governmental activities	\$ 29,176,457	\$ 2,428,924	\$ 4,223,513	(22,524,020)
General revenues:				
Property taxes levied for:				
General purposes				8,958,115
Debt service				2,638,761
Capital projects				1,011,623
Payments in lieu of taxes				113,046
Income taxes levied for:				
General purposes				7,184,210
Classroom facilities maintenance				168,355
Grants and entitlements not restricted to specific programs				20,561,554
Investment earnings				229,562
Miscellaneous				51,873
Total general revenues				40,917,099
Change in net position				18,393,079
Net position at beginning of year (restated)				12,575,740
Net position at end of year				\$ 30,968,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 24,819,598	\$ 2,948,709	\$ 1,907,563	\$ 29,675,870
Receivables:				
Property taxes.	9,974,747	2,953,171	1,126,497	14,054,415
Income taxes.	2,652,967	-	-	2,652,967
Payment in lieu of taxes.	44,332	-	-	44,332
Accounts.	2,369	-	45,000	47,369
Accrued interest.	136,527	-	86	136,613
Interfund loans.	8,495	-	-	8,495
Intergovernmental.	274,980	-	-	274,980
Prepayments.	59,275	-	-	59,275
Materials and supplies inventory.	54,253	-	7,105	61,358
Inventory held for resale.	-	-	24,058	24,058
Advances to other funds.	6,642	-	-	6,642
Total assets.	<u>\$ 38,034,185</u>	<u>\$ 5,901,880</u>	<u>\$ 3,110,309</u>	<u>\$ 47,046,374</u>
Liabilities:				
Accounts payable.	\$ 31,367	\$ -	\$ 83,759	\$ 115,126
Accrued wages and benefits payable.	3,367,795	-	72,688	3,440,483
Intergovernmental payable.	359,302	-	761	360,063
Pension and postemployment benefits payable.	544,959	-	23,408	568,367
Interfund loans payable.	-	-	8,495	8,495
Advance from other funds.	-	-	6,642	6,642
Total liabilities.	<u>4,303,423</u>	<u>-</u>	<u>195,753</u>	<u>4,499,176</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	9,349,675	2,767,336	1,055,446	13,172,457
Payment in lieu of taxes levied for the next fiscal year.	44,332	-	-	44,332
Delinquent property tax revenue not available.	334,613	99,067	37,790	471,470
Income tax revenue not available.	472,285	-	-	472,285
Intergovernmental revenue not available.	170,142	-	-	170,142
Accrued interest not available.	27,874	-	86	27,960
Miscellaneous revenue not available.	12,851	-	-	12,851
Total deferred inflows of resources.	<u>10,411,772</u>	<u>2,866,403</u>	<u>1,093,322</u>	<u>14,371,497</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	54,253	-	7,105	61,358
Prepays.	59,275	-	-	59,275
Long-term loans.	6,642	-	-	6,642
Unclaimed monies.	10,043	-	-	10,043
Restricted:				
Debt service.	-	3,035,477	-	3,035,477
Classroom facilities maintenance.	-	-	254,253	254,253
Food service operations.	-	-	334,950	334,950
Other purposes.	-	-	66,023	66,023
Extracurricular activities.	-	-	74,537	74,537
Committed:				
Capital improvements.	-	-	1,084,366	1,084,366
Underground storage tank.	11,000	-	-	11,000
Assigned:				
Student instruction.	191,531	-	-	191,531
Student and staff support.	671,248	-	-	671,248
Extracurricular activities.	7,510	-	-	7,510
Subsequent year's appropriations.	19,604,012	-	-	19,604,012
Unassigned.	2,703,476	-	-	2,703,476
Total fund balances.	<u>23,318,990</u>	<u>3,035,477</u>	<u>1,821,234</u>	<u>28,175,701</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 38,034,185</u>	<u>\$ 5,901,880</u>	<u>\$ 3,110,309</u>	<u>\$ 47,046,374</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total governmental fund balances		\$	28,175,701
<i>Amounts reported for governmental activities on 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.			78,185,941
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	471,470	
Income taxes receivable		472,285	
Accrued interest receivable		27,960	
Intergovernmental receivable		182,993	
Total			1,154,708
Unamortized premiums on bonds issued are not recognized in the funds.			(2,362,897)
Unamortized amounts on refundings are not recognized in the funds.			804,209
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(80,076)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		15,796,452	
Deferred inflows of resources - pension		(1,573,969)	
Net pension liability		(46,477,356)	
Total			(32,254,873)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		620,896	
Deferred inflows of resources - OPEB		(1,162,347)	
Net OPEB liability		(10,298,317)	
Total			(10,839,768)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(28,620,000)	
Capital lease obligations		(159,494)	
Compensated absences		(3,034,632)	
Total			(31,814,126)
Net position of governmental activities		\$	30,968,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 8,968,121	\$ 2,641,647	\$ 1,012,630	\$ 12,622,398
Income taxes	7,185,916	-	168,355	7,354,271
Payment in lieu of taxes	113,046	-	-	113,046
Tuition	1,125,103	-	-	1,125,103
Earnings on investments	248,170	-	5,159	253,329
Charges for services	-	-	797,412	797,412
Extracurricular	97,519	-	266,474	363,993
Classroom materials and fees	142,017	-	-	142,017
Rental income	400	-	-	400
Contributions and donations	28,455	-	106,359	134,814
Other local revenues	23,418	-	857	24,275
Intergovernmental - intermediate	43,969	12,959	87,047	143,975
Intergovernmental - state	21,798,686	340,596	241,846	22,381,128
Intergovernmental - federal	236,056	-	1,893,666	2,129,722
Total revenues	<u>40,010,876</u>	<u>2,995,202</u>	<u>4,579,805</u>	<u>47,585,883</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,722,005	-	295,289	18,017,294
Special	4,219,259	-	850,425	5,069,684
Vocational	358,911	-	8,392	367,303
Other	2,263,846	-	29,749	2,293,595
Support services:				
Pupil	1,529,276	-	69,401	1,598,677
Instructional staff	484,488	-	66,401	550,889
Board of education	214,486	-	-	214,486
Administration	2,807,849	-	188,823	2,996,672
Fiscal	984,239	59,816	26,530	1,070,585
Business	176,532	-	82,110	258,642
Operations and maintenance	3,379,930	-	804,685	4,184,615
Pupil transportation	2,601,684	-	45,852	2,647,536
Central	995,368	-	15,100	1,010,468
Operation of non-instructional services:				
Other non-instructional services	49,129	-	-	49,129
Food service operations	-	-	1,483,924	1,483,924
Extracurricular activities	627,547	-	392,534	1,020,081
Facilities acquisition and construction	-	-	146,932	146,932
Debt service:				
Principal retirement	74,056	1,455,000	-	1,529,056
Interest and fiscal charges	8,842	1,013,438	-	1,022,280
Total expenditures	<u>38,497,447</u>	<u>2,528,254</u>	<u>4,506,147</u>	<u>45,531,848</u>
Excess of revenues over expenditures	<u>1,513,429</u>	<u>466,948</u>	<u>73,658</u>	<u>2,054,035</u>
Other financing sources:				
Sale of capital assets	1,809	-	-	1,809
Total other financing sources	<u>1,809</u>	<u>-</u>	<u>-</u>	<u>1,809</u>
Net change in fund balances	1,515,238	466,948	73,658	2,055,844
Fund balances at beginning of year	21,805,990	2,568,529	1,756,130	26,130,649
Change in reserve for inventory	(2,238)	-	(8,554)	(10,792)
Fund balances at end of year	<u>\$ 23,318,990</u>	<u>\$ 3,035,477</u>	<u>\$ 1,821,234</u>	<u>\$ 28,175,701</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, 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	\$	2,055,844
<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 estimated useful lives as depreciation expense.		
Capital asset additions	\$ 885,904	
Current year depreciation	<u>(4,852,355)</u>	
Total		(3,966,451)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(15,198)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(10,792)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(13,899)	
Income taxes	(1,706)	
Earnings on investments	(18,577)	
Intergovernmental	<u>30,686</u>	
Total		(3,496)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	1,455,000	
Capital leases	<u>74,056</u>	
Total		1,529,056
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	1,824	
Amortization of bond premiums	180,086	
Amortization of deferred charges	<u>(56,360)</u>	
Total		125,550
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		3,332,649
OPEB		111,179
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability are reported as pension expense/OPEB expense in the statement of activities.		
Pension		14,053,147
OPEB		1,592,559
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(410,968)</u>
Change in net position of governmental activities	\$	<u>18,393,079</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 9,073,161	\$ 9,742,035	\$ 9,742,035	\$ -
Income taxes.	6,879,961	7,197,063	7,197,063	-
Payment in lieu of taxes.	60,000	113,046	113,046	-
Tuition.	975,159	1,124,253	1,124,253	-
Earnings on investments	248,780	290,796	290,796	-
Classroom materials and fees	131,158	137,516	137,516	-
Rental income	-	950	950	-
Other local revenues	7,947	17,833	17,833	-
Intergovernmental - intermediate	42,283	46,213	46,213	-
Intergovernmental - state	21,093,399	21,799,236	21,799,236	-
Intergovernmental - federal	216,641	236,769	236,769	-
Total revenues	<u>38,728,489</u>	<u>40,705,710</u>	<u>40,705,710</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,585,950	17,387,683	17,387,683	-
Special.	3,870,075	4,102,854	4,102,854	-
Vocational.	390,628	381,786	381,786	-
Other.	2,326,566	2,254,971	2,254,971	-
Support services:				
Pupil.	1,534,970	1,496,842	1,496,842	-
Instructional staff	497,632	456,480	456,480	-
Board of education	178,560	152,040	152,040	-
Administration.	2,489,327	2,745,613	2,745,613	-
Fiscal	924,898	1,004,463	1,004,463	-
Business	215,615	208,341	208,341	-
Operations and maintenance.	4,212,192	3,909,271	3,909,271	-
Pupil transportation	2,741,274	2,536,433	2,536,433	-
Central.	641,974	590,008	590,008	-
Other operation of non-instructional services	34,284	23,184	23,184	-
Extracurricular activities.	838,509	633,137	633,137	-
Total expenditures	<u>38,482,454</u>	<u>37,883,106</u>	<u>37,883,106</u>	<u>-</u>
Excess of revenues over expenditures.	<u>246,035</u>	<u>2,822,604</u>	<u>2,822,604</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year's expenditures	88,696	88,711	88,711	-
Advances (out)	-	(8,495)	(8,495)	-
Other uses.	(18,612,472)	-	-	-
Sale of capital assets	-	1	1	-
Total other financing sources (uses)	<u>(18,523,776)</u>	<u>80,217</u>	<u>80,217</u>	<u>-</u>
Net change in fund balance	(18,277,741)	2,902,821	2,902,821	-
Fund balance at beginning of year	17,209,305	17,209,305	17,209,305	-
Prior year encumbrances appropriated	1,068,436	1,068,436	1,068,436	-
Fund balance at end of year	\$ -	\$ 21,180,562	\$ 21,180,562	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 15,677	\$ 153,349
Receivables:		
Accrued interest.	99	-
	15,776	\$ 153,349
Total assets.		
Liabilities:		
Accounts payable.	-	\$ 84
Due to students.	-	153,265
	-	\$ 153,349
Total liabilities		
Net position:		
Held in trust for scholarships	15,776	
Total net position	\$ 15,776	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 119
Deductions:	
Scholarships awarded	75
Change in net position	44
Net position at beginning of year.	15,732
Net position at end of year	\$ 15,776

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Teays Valley Local School District (the “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 District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District employed 262 certified employees and 176 non-certified employees who provided services to 4,006 students in the grades K-12. The District is supported by the Pickaway County Educational Service Center, a separate entity.

The District provides regular, vocational, special and adult/continuing instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2018, the District paid META Solutions \$139,577 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Development Disabilities, representatives of universities and students and persons with disabilities representations. COSERRC assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

PUBLIC ENTITY RISK POOL

Pickaway County Public Employer Benefits Program (PCPEBP)

During fiscal year 2010, the District joined together with Circleville City School District, Logan Elm Local School District and Westfall Local School District to form the PCPEBP, a new insurance consortium. The PCPEBP is a public entity shared risk pool organized to provide health care and dental insurance benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by its superintendent or superintendent designee.

Teays Valley Local School District serves as fiscal agent for the PCPEBP. To obtain financial information, write Stacy Overly, Treasurer, Teays Valley Local School District, 385 Viking Way, Ashville, OH 43103.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

Governmental funds focus 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

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

Debt service fund - The debt service fund is used to account for and report the accumulation of resources that are restricted for payment of general obligation bond principal, interest, and related costs.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, income taxes, interest, tuition, grants, student fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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 District, see Notes 14 and 15 for deferred outflows of resources related to the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the 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 District, unavailable revenue includes, but is not limited to, delinquent property and income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 14 and 15 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2018 is as follows.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenues in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2018.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The original and final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation (original budget) amounts plus all supplemental appropriations legally enacted during the year (final budget amounts).
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

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

During fiscal year 2018, investments were limited to nonnegotiable certificates of deposits, commercial paper, Farm Federal Credit Bank (FFCB) Securities, Federal Home Loan Bank (FHLB) Securities, Federal Home Loan Mortgage Corporation (FHLMC) Securities, Federal National Mortgage Association (FNMA) Securities, negotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at amortized cost.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2018 amounted to \$248,170 which includes \$66,464 assigned from other District funds.

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

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

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the asset.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net position.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

I. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$1,000. 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 life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 10 years
Infrastructure	20 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “advance from/advance to other funds”. These amounts are eliminated in the governmental type activities columns of the statement of net position.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2018, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

L. Issuance Costs/Unamortized Bond Premium and Discount/Unamortized Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are expensed in the year they occur.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, net pension liability, net OPEB liability 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 year. Bonds are recognized as a liability on the fund financial statements when due.

N. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

O. Estimates

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

P. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service and a special trust.

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

Q. Interfund Activity

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.

R. Pensions/Other Postemployment Benefits (OPEB)

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 15 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 25,119,246
Deferred outflows - payments subsequent to measurement date	81,316
Net OPEB liability	<u>(12,624,822)</u>
Restated net position at July 1, 2017	<u>\$ 12,575,740</u>

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed two hundred and seventy days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits, including nonnegotiable certificates of deposit of \$2,018,637, was \$4,694,041 and the bank balance of all District deposits was \$4,739,180. Of the bank balance, \$1,581,992 was covered by the FDIC and \$3,157,188 was covered by the Ohio Pooled Collateral System.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2018, certain District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS while others were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2018, the District had the following investments and maturities:

<u>Measurement/Investment Type</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>Greater than 24 months</u>
<i>Fair value:</i>					
Commercial paper	\$ 4,712,615	\$ 4,465,818	\$ 246,797	\$ -	\$ -
FFCB	1,397,974	-	-	-	1,397,974
FHLB	3,369,162	-	-	-	3,369,162
FHLMC	986,023	-	-	-	986,023
FNMA	542,801	-	-	-	542,801
Negotiable CDs	5,628,451	998,277	992,569	740,702	2,896,903
<i>Amortized cost:</i>					
STAR Ohio	<u>8,513,829</u>	<u>8,513,829</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 25,150,855</u>	<u>\$ 13,977,924</u>	<u>\$ 1,239,366</u>	<u>\$ 740,702</u>	<u>\$ 9,192,863</u>

The weighted average of maturity of investments is 1.38 years.

The District's investments in commercial paper, federal agency securities (FFCB, FHLB, FHLMC, FNMA) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in commercial paper were rated P-1 by Moody's Investor Services. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District's investments in negotiable CD's are not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/Investment type</u>	<u>Measurement</u>	
	<u>Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Commercial paper	\$ 4,712,615	18.74
FFCB	1,397,974	5.56
FHLB	3,369,162	13.40
FHLMC	986,023	3.92
FNMA	542,801	2.16
Negotiable CDs	5,628,451	22.38
<i>Amortized cost:</i>		
STAR Ohio	8,513,829	33.84
Total	<u>\$ 25,150,855</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,694,041
Investments	<u>25,150,855</u>
Total	<u>\$ 29,844,896</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 29,675,870
Private-purpose trust funds	15,677
Agency funds	<u>153,349</u>
Total	<u>\$ 29,844,896</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2018, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 8,495</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the short-term interfund loan is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

- B.** Advances to/advances from other funds consisted of the following at June 30, 2018, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 6,642</u>

The primary purpose of the long-term interfund loan is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Pickaway, Franklin and Fairfield Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$290,459 in the general fund, \$86,768 in the debt service fund and \$33,261 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$1,064,373 in the general fund, \$315,571 in the debt service fund and \$120,968 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was 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.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

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

	2017 Second		2018 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 458,590,090	90.55	\$ 481,350,530	91.02
Public utility personal	<u>47,886,820</u>	<u>9.45</u>	<u>47,500,050</u>	<u>8.98</u>
Total	<u>\$ 506,476,910</u>	<u>100.00</u>	<u>\$ 528,850,580</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation for:

General	\$22.70	\$22.70
Bond	6.00	6.00
Permanent improvement	2.30	2.30

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, income taxes, payment in lieu of taxes (PILOTs), accounts, accrued interest and intergovernmental grants and entitlements. 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 year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 14,054,415
Income taxes	2,652,967
PILOTs receivable	44,332
Accounts	47,369
Accrued interest	136,613
Intergovernmental	<u>274,980</u>
Total	<u>\$ 17,210,676</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992 and is a continuing tax. In March 2012, the District voters passed a 1.50 percent earned income tax levy. Collections were gradually ramped up in calendar year 2013 while full collection occurred by the end of calendar year 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and the classroom facilities maintenance fund (a nonmajor governmental fund). Total income tax revenue on a modified accrual basis during fiscal year 2018 was \$7,354,271.

NOTE 9 - CAPITAL ASSETS

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

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2018</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,020,415	\$ -	\$ -	\$ 3,020,415
Total capital assets, not being depreciated	<u>3,020,415</u>	<u>-</u>	<u>-</u>	<u>3,020,415</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	12,466,983	-	-	12,466,983
Buildings and improvements	107,583,380	65,310	-	107,648,690
Furniture and equipment	10,149,088	433,547	(115,884)	10,466,751
Vehicles	3,183,541	387,047	(139,862)	3,430,726
Infrastructure	<u>275,675</u>	<u>-</u>	<u>-</u>	<u>275,675</u>
Total capital assets, being depreciated	<u>133,658,667</u>	<u>885,904</u>	<u>(255,746)</u>	<u>134,288,825</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(6,434,546)	(590,272)	-	(7,024,818)
Buildings and improvements	(39,579,715)	(3,360,475)	-	(42,940,190)
Furniture and equipment	(6,313,670)	(657,805)	100,686	(6,870,789)
Vehicles	(2,153,096)	(228,689)	139,862	(2,241,923)
Infrastructure	<u>(30,465)</u>	<u>(15,114)</u>	<u>-</u>	<u>(45,579)</u>
Total accumulated depreciation	<u>(54,511,492)</u>	<u>(4,852,355)</u>	<u>240,548</u>	<u>(59,123,299)</u>
Governmental activities capital assets, net	<u>\$ 82,167,590</u>	<u>\$ (3,966,451)</u>	<u>\$ (15,198)</u>	<u>\$ 78,185,941</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 4,079,781
Special	3,083
Vocational	60,429
Other	662
<u>Support services:</u>	
Pupil	7,725
Instructional staff	35,577
Board of education	1,462
Administration	19,194
Fiscal	3,451
Business	154,997
Operations and maintenance	54,136
Pupil transportation	221,396
Central	9,399
Extracurricular activities	127,236
Food service operations	<u>73,827</u>
Total depreciation expense	<u>\$ 4,852,355</u>

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for copier equipment and a postage meter. These lease agreements meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$371,144 on the statement of net position. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2018 was \$185,570 leaving a current book value of \$185,574. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2018 totaled \$74,056 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 82,898
2020	82,898
2021	<u>1,250</u>
Total minimum lease payments	167,046
Less: amount representing interest	<u>(7,552)</u>
Total	<u>\$ 159,494</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2018 have been restated as described in Note 3.

	Restated Balance			Balance	Amounts Due in
	<u>June 30, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2018</u>	<u>One Year</u>
General obligation bonds	\$ 30,075,000	\$ -	\$ (1,455,000)	\$ 28,620,000	\$ 1,855,000
Capital lease obligation	233,550	-	(74,056)	159,494	77,394
Net pension liability	62,629,715	-	(16,152,359)	46,477,356	-
Net OPEB liability	12,624,822	-	(2,326,505)	10,298,317	-
Compensated absences	<u>2,695,385</u>	<u>791,103</u>	<u>(451,856)</u>	<u>3,034,632</u>	<u>328,065</u>
Total	<u>\$ 108,258,472</u>	<u>\$ 791,103</u>	<u>\$ (20,459,776)</u>	88,589,799	<u>\$ 2,260,459</u>
Add: Unamortized premium				<u>2,362,897</u>	
Total on statement of net position				<u>\$ 90,952,696</u>	

General Obligation Bonds: See Note 11.B. through Note 11.D. for details.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 10 for details.

Net Pension Liability and Net OPEB liability: See Notes 14 and 15 for details. The District pays obligations related to employee compensation from the fund benefitting from their services.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District is the general fund, food service fund (a nonmajor governmental fund), the Title VI-B fund (a nonmajor governmental fund) and the Title I fund (a nonmajor governmental fund).

B. General Obligation Bonds - Series 2015 Refunding Bonds

During fiscal year 2016, the District issued \$14,215,000 in general obligation bonds to refund \$14,705,000 of the General Obligation Bonds – Series 2006 Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was \$12,770,000.

The issue is comprised of current interest bonds, par value \$14,215,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$211,803. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2027. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,774,677 and resulted in an economic gain of \$1,725,901.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for the series 2015 refunding bonds:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Current interest bonds - Series 2015 Refunding	\$ 14,215,000	\$ -	\$ (775,000)	\$ 13,440,000	\$ 1,155,000

The following is a summary of the future debt service requirements to maturity for the series 2015 refunding bonds:

Fiscal Year Ending	<u>2015 Refunding Bonds</u>			
	<u>Current Interest Bonds</u>			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,155,000	\$ 463,150	\$ 1,618,150	
2020	1,180,000	433,900	1,613,900	
2021	1,215,000	397,975	1,612,975	
2022	1,250,000	354,750	1,604,750	
2023	1,300,000	303,750	1,603,750	
2024 - 2028	<u>7,340,000</u>	<u>685,675</u>	<u>8,025,675</u>	
Total	<u>\$ 13,440,000</u>	<u>\$ 2,639,200</u>	<u>\$ 16,079,200</u>	

C. General Obligation Bonds - Series 2016A Refunding Bonds

During fiscal year 2016, the District issued \$8,675,000 in general obligation bonds to refund \$9,015,000 of the General Obligation Bonds – Series 2007A. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was \$8,665,000.

The issue is comprised of current interest bonds, par value \$8,675,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$391,623. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2034. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,174,994 and resulted in an economic gain of \$974,791.

The following is a schedule of activity for the series 2016A refunding bonds:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Current interest bonds - Series 2016A Refunding	\$ 8,515,000	\$ -	\$ (370,000)	\$ 8,145,000	\$ 380,000

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2016A refunding bonds:

Fiscal Year Ending <u>June 30,</u>	<u>2016A Refunding Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 380,000	\$ 269,375	\$ 649,375
2020	390,000	261,675	651,675
2021	395,000	253,825	648,825
2022	400,000	245,875	645,875
2023	415,000	237,725	652,725
2024 - 2028	2,235,000	988,575	3,223,575
2029 - 2033	2,700,000	515,038	3,215,038
2034 - 2035	<u>1,230,000</u>	<u>49,800</u>	<u>1,279,800</u>
Total	<u>\$ 8,145,000</u>	<u>\$ 2,821,888</u>	<u>\$ 10,966,888</u>

D. General Obligation Bonds - Series 2016B Refunding Bonds

During fiscal year 2016, the District issued \$7,505,000 in general obligation bonds to refund \$7,780,000 of the General Obligation Bonds – Series 2007B. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was \$7,480,000. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

The issue is comprised of current interest bonds, par value \$7,505,000. The interest rates on the current interest bonds range from 2.00% - 4.00%.

The reacquisition price exceeded the net carrying amount of the old debt by \$339,306. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2034. This advance refunding was undertaken to reduce the combined total debt service payments by \$990,563 and resulted in an economic gain of \$807,828.

The following is a schedule of activity for the series 2016B refunding bonds:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2018</u>	Amount Due in <u>One Year</u>
Current interest bonds - Series 2016B Refunding	<u>\$ 7,345,000</u>	<u>\$ -</u>	<u>\$ (310,000)</u>	<u>\$ 7,035,000</u>	<u>\$ 320,000</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2016B refunding bonds:

Fiscal Year Ending June 30,	<u>2016B Refunding Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 320,000	\$ 247,812	\$ 567,812
2020	325,000	241,362	566,362
2021	330,000	234,812	564,812
2022	340,000	226,412	566,412
2023	345,000	216,137	561,137
2024 - 2028	1,940,000	867,410	2,807,410
2029 - 2033	2,355,000	450,681	2,805,681
2034 - 2035	<u>1,080,000</u>	<u>43,600</u>	<u>1,123,600</u>
Total	<u>\$ 7,035,000</u>	<u>\$ 2,528,226</u>	<u>\$ 9,563,226</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$22,012,029 (including available funds of \$3,035,477) and an unvoted debt margin of \$528,851.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Upon termination, employees are limited to payment of 2 years plus current year accumulation based on the Ohio Revised Code. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0 - 9	10
10 - 19	15
20 - beyond	20

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 - COMPENSATED ABSENCES - (Continued)

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees, except 260 day administrators and classified employees is 240 days; 260 day administrators and classified employees may accumulate 295 days of sick leave. 205 day administrators may accumulate 271 days per year, based on 113 percent of teacher's accumulation of 240 days of sick leave for 185 days of service.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of 60 days. In the event an employee resigns his/her employment with the District for retirement purposes effective the end of the work year he/she first attains 31 years of State Teacher Retirement System (STRS) retirement credit, he/she shall receive a lump sum payment of \$10,000 plus severance pay provided in the contract. Longevity pay of \$1,000 is granted to certified employees with twenty five or more years of service. Administrators receiving retirement severance pay shall be entitled to a dollar amount equivalent to 30% of all accumulated sick leave credited to that employee up to a maximum of 88.5 days. The superintendent is entitled to one half of all accumulated sick leave.

NOTE 13 - RISK MANAGEMENT

A. General Risk

The 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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate, plus \$4,000,000 umbrella.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss, plus \$4,000,000 umbrella.

The District maintains replacement cost insurance on buildings and contents in the amount of \$136,200,844. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years with the exception of replacement cost insurance on buildings and contents.

B. Workers' Compensation

The District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP). SchoolComp contracts with CompManagement, Inc. to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the District by virtue of grouping and representation with other participants in the pool. 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 pool. Each participant pays this rate. Total savings is then calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. CompManagement provides administrative cost control and actuarial services to Ohio SchoolComp.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Health Care and Dental Insurance Benefits

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. Effective July 1, 2011, the District began offering dental benefits to employees through the PCPEBP. The PCPEBP was organized to provide health care benefits and dental insurance benefits to its members.

Effective Jan 1, 2014, the District moved all employees to the high deductible health plan which includes an HSA. Specifics on the plan can be found below:

	<u>Rate</u>	<u>Board Share</u>	<u>Board HSA Contribution</u>	<u>Total Out-of-pocket Expense</u>
<i>Medical:</i>				
Single	\$ 638.00	\$ 638.00	\$ 2,000.00	\$ 3,000.00
Family	1,461.00	1,315.00	2,000.00	6,000.00
<i>Dental:</i>				
Single	41.00	41.00	n/a	n/a
Family	94.00	94.00	n/a	n/a

The health care coverage is administered by United Healthcare, a third party administrator. The dental coverage is administered by Meritain Health.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The District's contractually required contribution to SERS was \$719,470 for fiscal year 2018. Of this amount, \$40,009 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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 is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The District's contractually required contribution to STRS was \$2,613,179 for fiscal year 2018. Of this amount, \$442,344 is reported as pension and postemployment benefits payable.

Net Pension Liability

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.15381570%	0.15347236%	
Proportion of the net pension liability current measurement date	<u>0.15413640%</u>	<u>0.15688365%</u>	
Change in proportionate share	<u>0.00032070%</u>	<u>0.00341129%</u>	
Proportionate share of the net pension liability	\$ 9,209,309	\$ 37,268,047	\$ 46,477,356
Pension expense	\$ (306,689)	\$ (13,746,458)	\$ (14,053,147)

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2018, the 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	\$ 396,336	\$ 1,439,118	\$ 1,835,454
Net difference between projected and actual earnings on pension plan investments			
Changes of assumptions	476,221	8,150,931	8,627,152
Difference between District contributions and proportionate share of contributions/ change in proportionate share	51,804	1,949,393	2,001,197
District contributions subsequent to the measurement date	<u>719,470</u>	<u>2,613,179</u>	<u>3,332,649</u>
Total deferred outflows of resources	<u>\$ 1,643,831</u>	<u>\$ 14,152,621</u>	<u>\$ 15,796,452</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 300,366	\$ 300,366
Net difference between projected and actual earnings on pension plan investments	<u>43,716</u>	<u>1,229,887</u>	<u>1,273,603</u>
Total deferred inflows of resources	<u>\$ 43,716</u>	<u>\$ 1,530,253</u>	<u>\$ 1,573,969</u>

\$3,332,649 reported as deferred outflows of resources related to pension resulting from 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 394,129	\$ 2,320,792	\$ 2,714,921
2020	561,593	3,993,862	4,555,455
2021	139,610	2,837,645	2,977,255
2022	<u>(214,687)</u>	<u>856,890</u>	<u>642,203</u>
Total	<u>\$ 880,645</u>	<u>\$ 10,009,189</u>	<u>\$ 10,889,834</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 (level percent of payroll)

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate - The 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 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%)
District's proportionate share of the net pension liability	\$ 12,780,128	\$ 9,209,309	\$ 6,218,020

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

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

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

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS Ohio's 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:

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

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 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%)
District's proportionate share of the net pension liability	\$ 53,422,478	\$ 37,268,047	\$ 23,660,361

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 District's surcharge obligation was \$84,532.

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 District's contractually required contribution to SERS was \$111,179 for fiscal year 2018. Of this amount, \$86,014 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.15496513%	0.15347236%	
Proportion of the net OPEB liability current measurement date	<u>0.15565220%</u>	<u>0.15688365%</u>	
Change in proportionate share	<u>0.00068707%</u>	<u>0.00341129%</u>	
Proportionate share of the net OPEB liability	\$ 4,177,296	\$ 6,121,021	\$ 10,298,317
OPEB expense	\$ 249,184	\$ (1,841,743)	\$ (1,592,559)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 353,343	\$ 353,343
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	156,374	156,374
District contributions subsequent to the measurement date	<u>111,179</u>	<u>-</u>	<u>111,179</u>
Total deferred outflows of resources	<u>\$ 111,179</u>	<u>\$ 509,717</u>	<u>\$ 620,896</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 11,031	\$ 261,626	\$ 272,657
Changes of assumptions	396,404	493,069	889,473
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>217</u>	<u>-</u>	<u>217</u>
Total deferred inflows of resources	<u>\$ 407,652</u>	<u>\$ 754,695</u>	<u>\$ 1,162,347</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$111,179 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (146,461)	\$ (62,632)	\$ (209,093)
2020	(146,461)	(62,632)	(209,093)
2021	(111,973)	(62,632)	(174,605)
2022	(2,757)	(62,630)	(65,387)
2023	-	2,775	2,775
Thereafter	-	2,773	2,773
Total	<u>\$ (407,652)</u>	<u>\$ (244,978)</u>	<u>\$ (652,630)</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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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 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%)
District's proportionate share of the net OPEB liability	\$ 5,044,617	\$ 4,177,296	\$ 3,490,157

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

	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 %)
District's proportionate share of the net OPEB liability	\$ 3,389,563	\$ 4,177,296	\$ 5,219,875

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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Discount Rate - The discount rate used to measure the total OPEB 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the 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.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 8,217,373	\$ 6,121,021	\$ 4,464,218
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 4,252,623	\$ 6,121,021	\$ 8,580,052

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 2,902,821
Net adjustment for revenue accruals	(830,823)
Net adjustment for expenditure accruals	(156,161)
Net adjustment for other sources/uses	(78,408)
Funds budgeted elsewhere	(1,100,058)
Adjustment for encumbrances	777,867
GAAP basis	\$ 1,515,238

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the District agency fund, the internal service fund and the underground storage tank fund.

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District's management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 18 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	709,769
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(1,230,899)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (521,130)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

NOTE 19 - OTHER COMMITMENTS

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 769,497
Other governmental	<u>1,021,697</u>
Total	<u>\$ 1,791,194</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Pickaway County entered into Community Reinvestment Area agreements (CRAs) with various businesses for the abatement of property taxes to bring jobs and economic development into the County. Under the agreements, the company's property taxes assessed to the District have been abated. During fiscal year 2018, the District's property taxes were reduced by approximately \$120,000. Under the agreements, the District received approximately \$40,000 during fiscal year 2018 from Intermodal LLC in association with the forgone tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.15413640%	0.15381570%	0.15290890%	0.15097500%	0.15097500%
District's proportionate share of the net pension liability	\$ 9,209,309	\$ 11,257,890	\$ 8,725,130	\$ 7,640,759	\$ 8,977,999
District's covered payroll	\$ 5,049,457	\$ 4,724,929	\$ 4,603,354	\$ 4,387,027	\$ 4,247,247
District's proportionate share of the net pension liability as a percentage of its covered payroll	182.38%	238.27%	189.54%	174.17%	211.38%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.15688365%	0.15347236%	0.14909469%	0.14582712%	0.14582712%
District's proportionate share of the net pension liability	\$ 37,268,047	\$ 51,371,825	\$ 41,205,411	\$ 35,470,202	\$ 42,251,873
District's covered payroll	\$ 17,585,264	\$ 16,235,600	\$ 15,555,536	\$ 14,899,500	\$ 15,285,185
District's proportionate share of the net pension liability as a percentage of its covered payroll	211.93%	316.41%	264.89%	238.06%	276.42%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 719,470	\$ 706,924	\$ 661,490	\$ 606,722
Contributions in relation to the contractually required contribution	<u>(719,470)</u>	<u>(706,924)</u>	<u>(661,490)</u>	<u>(606,722)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,329,407	\$ 5,049,457	\$ 4,724,929	\$ 4,603,354
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

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>
\$ 608,042	\$ 587,819	\$ 577,808	\$ 564,877	\$ 582,532	\$ 395,282
<u>(608,042)</u>	<u>(587,819)</u>	<u>(577,808)</u>	<u>(564,877)</u>	<u>(582,532)</u>	<u>(395,282)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,387,027	\$ 4,247,247	\$ 4,295,970	\$ 4,493,850	\$ 4,302,304	\$ 4,017,093
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,613,179	\$ 2,461,937	\$ 2,272,984	\$ 2,177,775
Contributions in relation to the contractually required contribution	<u>(2,613,179)</u>	<u>(2,461,937)</u>	<u>(2,272,984)</u>	<u>(2,177,775)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,665,564	\$ 17,585,264	\$ 16,235,600	\$ 15,555,536
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

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>
\$ 1,936,935	\$ 1,987,074	\$ 2,071,259	\$ 2,134,349	\$ 2,045,682	\$ 1,950,282
<u>(1,936,935)</u>	<u>(1,987,074)</u>	<u>(2,071,259)</u>	<u>(2,134,349)</u>	<u>(2,045,682)</u>	<u>(1,950,282)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,899,500	\$ 15,285,185	\$ 15,932,762	\$ 16,418,069	\$ 15,736,015	\$ 15,002,169
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.15565220%	0.15496513%
District's proportionate share of the net OPEB liability	\$ 4,177,296	\$ 4,417,080
District's covered payroll	\$ 5,049,457	\$ 4,724,929
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.73%	93.48%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.15688365%	0.15347236%
District's proportionate share of the net OPEB liability	\$ 6,121,021	\$ 8,207,742
District's covered payroll	\$ 17,585,264	\$ 16,235,600
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.81%	50.55%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 111,179	\$ 81,316	\$ 74,508	\$ 111,018
Contributions in relation to the contractually required contribution	<u>(111,179)</u>	<u>(81,316)</u>	<u>(74,508)</u>	<u>(111,018)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,329,407	\$ 5,049,457	\$ 4,724,929	\$ 4,603,354
Contributions as a percentage of covered payroll	2.09%	1.61%	1.58%	2.41%

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>
\$ 76,562	\$ 67,439	\$ 87,578	\$ 128,195	\$ 80,439	\$ 240,825
<u>(76,562)</u>	<u>(67,439)</u>	<u>(87,578)</u>	<u>(128,195)</u>	<u>(80,439)</u>	<u>(240,825)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,387,027	\$ 4,247,247	\$ 4,295,970	\$ 4,493,850	\$ 4,302,304	\$ 4,017,093
1.75%	1.59%	2.04%	2.85%	1.87%	6.00%

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,665,564	\$ 17,585,264	\$ 16,235,600	\$ 15,555,536
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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>
\$ 148,995	\$ 152,852	\$ 159,328	\$ 164,181	\$ 157,360	\$ 150,022
<u>(148,995)</u>	<u>(152,852)</u>	<u>(159,328)</u>	<u>(164,181)</u>	<u>(157,360)</u>	<u>(150,022)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,899,500	\$ 15,285,185	\$ 15,932,762	\$ 16,418,069	\$ 15,736,015	\$ 15,002,169
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(C) School Breakfast Program	10.553	2018	\$ 95,427
(C) National School Lunch Program	10.555	2018	537,551
(D) National School Lunch Program - Food Donation	10.555	2018	116,036
Total National School Lunch Program			653,587
Total U.S. Department of Agriculture and Child Nutrition Cluster			749,014
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2018	394,085
Special Education Cluster:			
Special Education _Grants to States	84.027	2018	635,780
Special Education _Preschool Grants	84.173	2018	20,669
Total Special Education Cluster			656,449
Supporting Effective Instruction State Grants	84.367	2018	84,118
Title IV-A Student Support and Academic Enrichment Program	84.424A	2018	10,000
Total U.S. Department of Education			1,144,652
Total Federal Financial Assistance			\$ 1,893,666

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2018.
- (B) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Teays Valley Local School District under programs of the federal government for the fiscal year ended June 30, 2018 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the Teays Valley Local School District, it is not intended to and does not present the financial position or changes in net position of the Teays Valley Local School District.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Teays Valley Local School District's basic financial statements and have issued our report thereon dated January 24, 2019, wherein we noted as discussed in Note 3, the Teays Valley Local School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
January 24, 2019



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance with Requirements Applicable to the Major
Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Teays Valley Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Teays Valley Local School District's major federal program for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Teays Valley Local School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Teays Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
January 24, 2019

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



TEAYS VALLEY LOCAL SCHOOL DISTRICT

PICKAWAY 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 2, 2019**