# JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
# JEFFERSON COUNTY

## REGULAR AUDIT

## FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

OHIO AUDITOR OF STATE
**KEITH FABER**

**JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT**
**JEFFERSON COUNTY**
**JUNE 30, 2019 AND 2018**

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# INDEPENDENT AUDITOR'S REPORT

Jefferson County Joint Vocational School District
Jefferson County
1509 County Highway 22A
Bloomingdale, Ohio 43910

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 Jefferson County Joint Vocational School District, Jefferson County, Ohio (the School District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Joint Vocational School District, Jefferson County, Ohio, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 26, 2020

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The discussion and analysis of the Jefferson County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

## Financial Highlights

Key financial highlights for the fiscal year 2019 are as follows:

- In total, net position increased $1,702,570.

- General revenues accounted for $6,185,011, in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for $999,640 or 14 percent of total revenues of $7,184,651.

- Total assets of governmental activities increased $1,440,019, primarily due to increases in cash and cash equivalents, net OPEB asset, property taxes receivable.

- The School District had $5,482,081 in expenses related to governmental activities. Only $999,640 of these expenses was offset by program specific charges for services and sales and operating grants and contributions. General revenues of $6,185,011 were adequate to provide for these programs.

- Total governmental funds had $7,186,959 in revenues and $6,282,507 in expenditures. In total governmental fund balances, including other financing sources and uses, increased $904,452.

## Using this Annual Financial Report

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

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

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

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities including instruction, support services, and food service operations.

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

*Fund Financial Statements*

The analysis of the School District's funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

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

## The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2019 compared to 2018.

**Table 1**
**Net Position**
**Governmental Activities**

| | 2019 | 2018 | Change |
|---|---|---|---|
| **Assets** | | | |
| Current and Other Assets | $6,902,499 | $5,741,680 | $1,160,819 |
| Net OPEB Asset | 283,875 | 0 | 283,875 |
| Capital Assets | 4,428,735 | 4,433,410 | (4,675) |
| **Total Assets** | 11,615,109 | 10,175,090 | 1,440,019 |
| **Deferred Outflows of Resources** | | | |
| Pension | 1,383,106 | 1,547,734 | (164,628) |
| OPEB | 148,502 | 51,349 | 97,153 |
| **Total Deferred Outflows of Resources** | 1,531,608 | 1,599,083 | (67,475) |
| **Liabilities** | | | |
| Current and Other Liabilities | 556,968 | 652,258 | (95,290) |
| Long-Term Liabilities: | | | |
| Due Wthin One Year | 106,753 | 106,599 | 154 |
| Due in More than One Year: | | | |
| Net Pension Liability | 5,025,443 | 5,166,293 | (140,850) |
| Net OPEB Liability | 546,038 | 1,115,029 | (568,991) |
| Other Amounts | 653,060 | 728,868 | (75,808) |
| **Total Liabilities** | 6,888,262 | 7,769,047 | (880,785) |
| **Deferred Inflows of Resources** | | | |
| Property Taxes | 3,207,030 | 3,073,092 | 133,938 |
| Payment in Lieu of Taxes | 2,476 | 0 | 2,476 |
| Pension | 470,837 | 407,484 | 63,353 |
| OPEB | 527,308 | 176,316 | 350,992 |
| **Total Deferred Inflows of Resources** | 4,207,651 | 3,656,892 | 550,759 |
| **Net Position** | | | |
| Net Investment in Capital Assets | 3,960,300 | 3,892,602 | 67,698 |
| Restricted | 303,834 | 134,748 | 169,086 |
| Unrestricted (Deficit) | (2,213,330) | (3,679,116) | 1,465,786 |
| **Total Net Position** | $2,050,804 | $348,234 | $1,702,570 |

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State Statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 total, assets increased $1,440,019. Current and other assets increased $1,160,819, primarily due to increases in cash and cash equivalents and property taxes receivable. The increase in both classes of assets is due primarily to an increase in assessed valuation, which has resulted in increases in tax revenues and property taxes receivable. The School District is reporting a net OPEB asset in the amount of $283,875. See Note 12 for more detailed information regarding the net OPEB asset. Capital assets decreased in the amount of $4,675, due to annual depreciation exceeding capital asset additions.

In total, liabilities decreased $880,785. Current and other liabilities decreased $95,290 primarily due to decreases in accounts payable, and matured severance payable from the prior year, which were offset by increases in accrued wages and benefits. The decrease in long-term liabilities in the amount of $785,495 was due primarily to decreases in net pension liability and net OPEB liability which represent the School District's proportionate shares of the respective pension systems' unfunded benefits. In addition, annual debt service payments on the School District's long-term debt, continue to decrease its long-term liabilities.

In order to further understand what makes up the changes in net position for the current year, the following tables gives readers further details regarding the results of activities for 2019 and 2018.

**Table 2**
**Changes in Net Postion**
**Governmental Activities**

| | 2019 | 2018 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Program Revenues | | | |
| Charges for Services and Sales | $260,474 | $244,629 | $15,845 |
| Operating Grants and Contributions | 739,166 | 753,798 | (14,632) |
| Total Program Revenues | 999,640 | 998,427 | 1,213 |
| General Revenues | | | |
| Property Taxes | 3,611,212 | 2,988,770 | 622,442 |
| Grants and Entitlements not Restricted to Specific Programs | 2,436,023 | 2,378,101 | 57,922 |
| Investment Earnings | 18,649 | 14,003 | 4,646 |
| Gas and Oil Lease Bonus | 83,370 | 83,370 | 0 |
| Others | 35,757 | 29,596 | 6,161 |
| Total General Revenues | 6,185,011 | 5,493,840 | 691,171 |
| **Total Revenues** | **7,184,651** | **6,492,267** | **692,384** |
| Instruction | | | |
| Regular | 240,888 | 97,049 | 143,839 |
| Special | 195,099 | 27,199 | 167,900 |
| Vocational | 2,520,090 | 1,461,248 | 1,058,842 |
| Adult/Continuing | 10,862 | 17,021 | (6,159) |
| Student Intervention Services | 75,556 | 19,779 | 55,777 |
| Support Services | | | |
| Pupil | 204,097 | 129,157 | 74,940 |
| Instructional Staff | 349,026 | 308,436 | 40,590 |
| Board of Education | 78,595 | 69,135 | 9,460 |
| Administration | 318,603 | 286,945 | 31,658 |
| Fiscal | 330,599 | 291,246 | 39,353 |
| Operation and Maintenance of Plant | 812,742 | 866,165 | (53,423) |
| Central | 107,967 | 67,074 | 40,893 |
| Operation of Non-Instructional Services | 2,044 | 7,515 | (5,471) |
| Food Service Operations | 225,415 | 179,249 | 46,166 |
| Interest and Fiscal Charges | 10,498 | 12,062 | (1,564) |
| **Total Expenses** | **5,482,081** | **3,839,280** | **1,642,801** |
| **Change in Net Position** | 1,702,570 | 2,652,987 | (950,417) |
| Net Position (Deficit) Beginning of Year | 348,234 | (2,304,753) | 2,652,987 |
| **Net Position End of Year** | $2,050,804 | $348,234 | $1,702,570 |

In 2019, 50 percent of the School District's revenues were from property taxes and 34 percent were from unrestricted grants and entitlements. Charges for services and sales program revenue increased in the food service program while operating grants and contributions for special education funding decreased.

Instructional programs comprise approximately 55 percent of total governmental program expenses. Overall, program expenses of the School District increased significantly over the prior year in the amount of $1,642,801, most noticeably in vocational instruction. The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2019 and 2018. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3**
**Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Instruction | | | | |
| Regular | $240,888 | $97,049 | $219,424 | $73,106 |
| Special | 195,099 | 27,199 | 152,396 | (20,436) |
| Vocational | 2,520,090 | 1,461,248 | 1,806,952 | 767,651 |
| Adult/Continuing | 10,862 | 17,021 | 10,862 | 17,021 |
| Student Intervention Services | 75,556 | 19,779 | 75,556 | 19,779 |
| Support Services: | | | | |
| Pupil | 204,097 | 129,157 | 190,589 | 114,089 |
| Instructional Staff | 349,026 | 308,436 | 349,026 | 308,436 |
| Board of Education | 78,595 | 69,135 | 78,595 | 69,135 |
| Administration | 318,603 | 286,945 | 318,603 | 286,945 |
| Fiscal | 330,599 | 291,246 | 329,898 | 290,973 |
| Operation and Maintenance of Plant | 812,742 | 866,165 | 796,880 | 849,569 |
| Central | 107,967 | 67,074 | 106,169 | 52,738 |
| Operation of Non-Instructional Services | 2,044 | 7,515 | 2,044 | 7,515 |
| Food Service Operations | 225,415 | 179,249 | 34,949 | (7,730) |
| Interest and Fiscal Charges | 10,498 | 12,062 | 10,498 | 12,062 |
| **Total Expenses** | $5,482,081 | $3,839,280 | $4,482,441 | $2,840,853 |

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 82 percent of expenses are supported through taxes and other general revenues.

## The School District's Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The School District has two major funds, the General Fund and the Permanent Improvement Capital Projects fund. The General Fund had $6,153,632 in revenues and $5,490,346 in expenditures, and the Permanent Improvement Fund had $630,143 in revenues and $299,222 in expenditures. Including other financing uses, the General Fund's balance increased $578,463 primarily due to an increase in property tax revenue. The Permanent Improvement Capital Projects Fund's balance increased $330,921 primarily due to an increase in property tax revenue, which was offset by a decrease in expenditures from the prior related to costs for a roof project.

### *General Fund Budgeting Highlights*

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

During the course of fiscal year 2019, the School District amended its General Fund budget, and the budgetary statement reflects both the original and final amounts. The changes between the original and final budget reflect increases, most notably for estimated property taxes and intergovernmental revenues, as well as, decreases in budgeted expenditures, most notably, vocational instruction. Actual revenues were not significantly different than estimates. The difference between final appropriations and actual expenditures were not significant.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of fiscal year 2019, the School District had $4,428,735 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 9 for more detailed information of the School District's capital assets.

### *Debt*

At June 30, 2019, the School District had $468,435 outstanding in 2010 Energy Conservation Qualified School Construction Bonds. See Note 14 for more information on the School District's long-term obligations, which also includes, compensated absences, the net pension liability, and the net OPEB liability.

**Economic Factors**

**Public Utility Tax Adjustments**

The Public Utility Tax is the driving force for most of the significant increases in tax collections. Production since calendar year 2015 has shown remarkable growth. Although, the per barrel oil production and price have both decreased over the past few years, the gas volume has increased and the price has remained somewhat stable.

Jefferson County is a heavy gas producer, unlike the surrounding counties that produce more oil. These values are reported as commercial and industrial values on the property tax bills. There is a two year lag from production year to collection year. The information provided in the table below is a valuable tool utilized by the Jefferson County Joint Vocational School District when projecting future tax revenues.

*Ohio Department of Taxation Production for Jefferson County*

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Oil* | 355 | 593 | 255 | 32 |
| Gas** | 6,748,650 | 46,012,135 | 144,368,353 | 352,464,237 |

*Ohio Department of Taxation Prices*

| | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Oil | $5,310 | $4,510 | $3,920 | $3,370 |
| Gas | $220 | $190 | $190 | $170 |

* Average Daily Production: one barrel or more
** Average Daily Production: eight MCF or more

**HB 264 Energy Conservation Project**:

In prior years, the Board of Education completed building improvements in conjunction with a House Bill 264 project. As part of the project, the School District received approval from the Ohio Department of Education to participate in the State Credit Enhancement Program, created under Ohio Revised Code Section 3317.18 for $1,078,690 of Qualified School Construction Bonds. These Energy Conservation Notes, Series 2010 have a fifteen year pay back schedule with a coupon rate of 2.170 percent. The project benefits, as estimated by Johnson Controls Inc., are expected to be $1,278,660 at the end of the fifteen year period and the total principal and interest payments are estimated to be $1,261,621 at the end of the fifteen year period.

**Modular Home Sales:**

The Board of Education determined that the Carpentry Class project would continue with modular home construction on site. A section of the parking lot has been gated off in order to accommodate the project.

Construction on the second modular began during the 2018-2019 school year. As of June 30, 2019, the modular is reported as an asset held for resale with a value of $53,153. The preferred method of sale is to have a buyer under contract before the modular is constructed; however, in the event that does not occur, the modular will be auctioned upon completion. The School District estimates the sale or auction in the spring of 2020. Each modular home design is approved by the State and is subject to a permit. All transportation, site development, and any other additional costs are the responsibility of the buyer.

## Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Karen Spoonemore, Treasurer/CFO, Jefferson County Joint Vocational School District, 1509 County Highway 22A, Bloomingdale, Ohio 43910.

# Basic Financial

# Statements

**Jefferson County Joint Vocational School District**
*Statement of Net Position*
*June 30, 2019*

| | Governmental Activities |
|---|---|
| **Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $2,000,174 |
| Accounts Receivable | 3,793 |
| Intergovernmental Receivable | 41,770 |
| Materials and Supplies Inventory | 11,272 |
| Prepaid Items | 1,715 |
| Assets Held for Resale | 53,153 |
| Property Taxes Receivable | 3,682,231 |
| Revenue in Lieu of Taxes Receivable | 2,476 |
| Cash and Cash Equivalents with Fiscal Agents | 1,105,915 |
| Net OPEB Asset | 283,875 |
| Non-Depreciable Capital Assets | 87,522 |
| Depreciable Capital Assets, Net | 4,341,213 |
| *Total Assets* | 11,615,109 |
| **Deferred Outflows of Resources** | |
| Pension | 1,383,106 |
| OPEB | 148,502 |
| *Total Deferred Outflows of Resources* | 1,531,608 |
| **Liabilities** | |
| Accounts Payable | 24,653 |
| Accrued Wages and Benefits Payable | 386,470 |
| Intergovernmental Payable | 55,040 |
| Matured Severance Payable | 6,870 |
| Accrued Interest Payable | 2,924 |
| Claims Payable | 81,011 |
| Long-Term Liabilities: | |
| Due Within One Year | 106,753 |
| Due In More Than One Year: | |
| Net Pension Liability | 5,025,443 |
| Net OPEB Liability | 546,038 |
| Other Amounts Due in More Than One Year | 653,060 |
| *Total Liabilities* | 6,888,262 |
| **Deferred Inflows of Resources** | |
| Property Taxes | 3,207,030 |
| Payment in Lieu of Taxes | 2,476 |
| Pension | 470,837 |
| OPEB | 527,308 |
| *Total Deferred Inflows of Resources* | 4,207,651 |
| **Net Position** | |
| Net Investment in Capital Assets | 3,960,300 |
| Restricted for: | |
| Capital Projects | 174,018 |
| Food Service Operations | 55,737 |
| State Programs | 23,041 |
| Federal Programs | 1,465 |
| Budget Stabilization | 17,604 |
| Other Purposes | 31,969 |
| Unrestricted (Deficit) | (2,213,330) |
| *Total Net Position* | $2,050,804 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Statement of Activities*
*For the Fiscal Year Ended June 30, 2019*

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| **Governmental Activities** | | | | |
| Instruction: | | | | |
| Regular | $240,888 | $0 | $21,464 | ($219,424) |
| Special | 195,099 | 0 | 42,703 | (152,396) |
| Vocational | 2,520,090 | 186,301 | 526,837 | (1,806,952) |
| Adult/Continuing | 10,862 | 0 | 0 | (10,862) |
| Student Intervention Services | 75,556 | 0 | 0 | (75,556) |
| Support Services: | | | | |
| Pupil | 204,097 | 0 | 13,508 | (190,589) |
| Instructional Staff | 349,026 | 0 | 0 | (349,026) |
| Board of Education | 78,595 | 0 | 0 | (78,595) |
| Administration | 318,603 | 0 | 0 | (318,603) |
| Fiscal | 330,599 | 0 | 701 | (329,898) |
| Operation and Maintenance of Plant | 812,742 | 0 | 15,862 | (796,880) |
| Central | 107,967 | 0 | 1,798 | (106,169) |
| Operation of Non-Instructional Services | 2,044 | 0 | 0 | (2,044) |
| Food Service Operations | 225,415 | 74,173 | 116,293 | (34,949) |
| Interest and Fiscal Charges | 10,498 | 0 | 0 | (10,498) |
| *Total Governmental Activities* | $5,482,081 | $260,474 | $739,166 | (4,482,441) |

| | |
|---|---|
| **General Revenues** | |
| Property Taxes Levied for General Purposes | 3,003,052 |
| Property Taxes Levied for Capital Projects | 608,160 |
| Grants and Entitlements not Restricted to Specific Programs | 2,436,023 |
| Contributions and Donations | 7,000 |
| Investment Earnings | 18,649 |
| Gas and Oil Lease Bonus | 83,370 |
| Miscellaneous | 28,757 |
| *Total General Revenues* | 6,185,011 |
| Change in Net Position | 1,702,570 |
| *Net Position Beginning of Year* | 348,234 |
| *Net Position End of Year* | $2,050,804 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Balance Sheet*
*Governmental Funds*
*June 30, 2019*

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $1,549,748 | $323,387 | $109,010 | $1,982,145 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 18,029 | 0 | 0 | 18,029 |
| Receivables: | | | | |
| Property Taxes | 3,087,127 | 595,104 | 0 | 3,682,231 |
| Intergovernmental | 8,301 | 0 | 33,469 | 41,770 |
| Revenue in Lieu of Taxes | 2,476 | 0 | 0 | 2,476 |
| Interfund | 235,728 | 0 | 0 | 235,728 |
| Prepaid Items | 1,715 | 0 | 0 | 1,715 |
| Assets Held for Resale | 53,153 | 0 | 0 | 53,153 |
| Materials and Supplies Inventory | 0 | 0 | 11,272 | 11,272 |
| *Total Assets* | $4,956,277 | $918,491 | $153,751 | $6,028,519 |
| **Liabilities** | | | | |
| Accounts Payable | $7,903 | $16,750 | $0 | $24,653 |
| Accrued Wages and Benefits Payable | 374,940 | 0 | 11,530 | 386,470 |
| Intergovernmental Payable | 49,832 | 0 | 5,208 | 55,040 |
| Matured Severance Payable | 6,870 | 0 | 0 | 6,870 |
| Interfund Payable | 0 | 210,927 | 24,801 | 235,728 |
| *Total Liabilities* | 439,545 | 227,677 | 41,539 | 708,761 |
| **Deferred Inflows of Resources** | | | | |
| Property Taxes | 2,690,234 | 516,796 | 0 | 3,207,030 |
| Payment in Lieu of Taxes | 2,476 | 0 | 0 | 2,476 |
| Unavailable Revenue | 162,112 | 32,933 | 0 | 195,045 |
| *Total Deferred Inflows of Resources* | 2,854,822 | 549,729 | 0 | 3,404,551 |
| **Fund Balances** | | | | |
| Nonspendable: | | | | |
| Materials and Supplies Inventory | 0 | 0 | 11,272 | 11,272 |
| Prepaid Items | 1,715 | 0 | 0 | 1,715 |
| Assets Held for Resale | 53,153 | 0 | 0 | 53,153 |
| Unclaimed Monies | 425 | 0 | 0 | 425 |
| Restricted for: | | | | |
| Capital Projects | 0 | 141,085 | 0 | 141,085 |
| Food Service Operations | 0 | 0 | 44,465 | 44,465 |
| State Programs | 0 | 0 | 23,041 | 23,041 |
| Federal Programs | 0 | 0 | 1,465 | 1,465 |
| Budget Stabilization | 17,604 | 0 | 0 | 17,604 |
| Other Purposes | 0 | 0 | 31,969 | 31,969 |
| Committed | 120,148 | 0 | 0 | 120,148 |
| Assigned to: | | | | |
| Purchases on Order | 88,374 | 0 | 0 | 88,374 |
| Unassigned | 1,380,491 | 0 | 0 | 1,380,491 |
| *Total Fund Balances* | 1,661,910 | 141,085 | 112,212 | 1,915,207 |
| *Total Liabilities, Deferred Inflows of Resources, and Fund Balances* | $4,956,277 | $918,491 | $153,751 | $6,028,519 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Reconciliation of Total Governmental Fund Balances*
*to Net Position of Governmental Activities*
*June 30, 2019*

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $1,915,207 |
| ***Amounts reported for governmental activities in the Statement of Net Position are different because*** | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 4,428,735 |
| Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds: | | |
| Property Taxes | 189,497 | |
| Intergovernmental | 5,548 | |
| Total | | 195,045 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the Statement of Net Position. | | 1,028,697 |
| In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | (2,924) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | 468,435 | |
| Compensated Absences | 291,378 | |
| Total | | (759,813) |
| The net OPEB asset, net pension liability, and the net OPEB liability are not due and payable in the current period; therefore, the asset, the liability and related deferred inflows/outflows are not reported in the governmental funds: | | |
| Net OPEB Asset | 283,875 | |
| Deferred Outflows - Pension | 1,383,106 | |
| Deferred Outflows - OPEB | 148,502 | |
| Net Pension Liability | (5,025,443) | |
| Net OPEB Liability | (546,038) | |
| Deferred Inflows - Pension | (470,837) | |
| Deferred Inflows - OPEB | (527,308) | |
| Total | | (4,754,143) |
| *Net Position of Governmental Activities* | | $2,050,804 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Statement of Revenues, Expenditures and Changes in Fund Balances*
*Governmental Funds*
*For the Fiscal Year Ended June 30, 2019*

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property Taxes | $3,024,422 | $612,598 | $0 | $3,637,020 |
| Intergovernmental | 2,830,085 | 17,545 | 322,011 | 3,169,641 |
| Interest | 697 | 0 | 0 | 697 |
| Tuition and Fees | 163,663 | 0 | 0 | 163,663 |
| Extracurricular Activities | 22,638 | 0 | 0 | 22,638 |
| Contributions and Donations | 0 | 0 | 7,000 | 7,000 |
| Charges for Services | 0 | 0 | 74,173 | 74,173 |
| Gas and Oil Lease Bonus | 83,370 | 0 | 0 | 83,370 |
| Miscellaneous | 28,757 | 0 | 0 | 28,757 |
| *Total Revenues* | 6,153,632 | 630,143 | 403,184 | 7,186,959 |
| **Expenditures** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 320,110 | 0 | 0 | 320,110 |
| Special | 287,057 | 0 | 0 | 287,057 |
| Vocational | 2,672,226 | 16,750 | 191,326 | 2,880,302 |
| Adult/Continuing | 10,862 | 0 | 0 | 10,862 |
| Student Intervention Services | 105,459 | 0 | 0 | 105,459 |
| Support Services: | | | | |
| Pupil | 239,844 | 0 | 0 | 239,844 |
| Instructional Staff | 344,779 | 0 | 0 | 344,779 |
| Board of Education | 78,595 | 0 | 0 | 78,595 |
| Administration | 302,491 | 0 | 0 | 302,491 |
| Fiscal | 289,868 | 11,957 | 0 | 301,825 |
| Operation and Maintenance of Plant | 739,616 | 270,515 | 0 | 1,010,131 |
| Central | 99,439 | 0 | 1,798 | 101,237 |
| Food Service Operations | 0 | 0 | 216,492 | 216,492 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 72,373 | 72,373 |
| Interest and Fiscal Charges | 0 | 0 | 10,950 | 10,950 |
| *Total Expenditures* | 5,490,346 | 299,222 | 492,939 | 6,282,507 |
| *Excess of Revenues Over (Under) Expenditures* | 663,286 | 330,921 | (89,755) | 904,452 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 0 | 0 | 84,823 | 84,823 |
| Transfers Out | (84,823) | 0 | 0 | (84,823) |
| *Total Other Financing Sources (Uses)* | (84,823) | 0 | 84,823 | 0 |
| *Net Change in Fund Balances* | 578,463 | 330,921 | (4,932) | 904,452 |
| *Fund Balances (Deficit) Beginning of Year* | 1,083,447 | (189,836) | 117,144 | 1,010,755 |
| *Fund Balances End of Year* | $1,661,910 | $141,085 | $112,212 | $1,915,207 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Reconciliation of the Changes in Fund Balances*
*of Governmental Funds to the Statement of Activities*
*For the Fiscal Year Ended June 30, 2019*

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $904,452 |
| ***Amounts reported for governmental activities in the Statement of Activities are different because*** | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period. | | |
| Capital Asset Additions | 345,523 | |
| Depreciation | (350,198) | |
| Total | | (4,675) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds: | | |
| Property Taxes | (25,808) | |
| Intergovernmental | 5,548 | |
| Total | | (20,260) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| General Obligation Bonds | | 72,373 |
| Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the Statement of Activities. | | 452 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated Absences Payable | | 3,281 |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the Statement of Activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities. | | 235,051 |
| Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. | | |
| Pension | | 375,445 |
| OPEB | | 13,217 |
| Except for amounts reported as deferred outflows/inflows, changes in net pension/OPEB (asset) liability are reported as pension/OPEB expense in the Statement of Activities. | | |
| Pension | | (462,576) |
| OPEB | | 585,810 |
| *Change in Net Position of Governmental Activities* | | $1,702,570 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Statement of Revenues, Expenditures and Changes*
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*
*General Fund*
*For the Fiscal Year Ended June 30, 2019*

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property Taxes | $2,525,994 | $2,892,029 | $2,892,583 | $554 |
| Intergovernmental | 2,814,604 | 2,840,529 | 2,840,529 | 0 |
| Interest | 500 | 697 | 697 | 0 |
| Tuition and Fees | 163,890 | 163,663 | 163,663 | 0 |
| Extracurricular Activities | 19,057 | 22,638 | 22,638 | 0 |
| Gas and Oil Lease Bonus | 83,370 | 83,370 | 83,370 | 0 |
| Miscellaneous | 22,949 | 28,757 | 28,757 | 0 |
| *Total Revenues* | 5,630,364 | 6,031,683 | 6,032,237 | 554 |
| **Expenditures** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 318,079 | 333,247 | 332,662 | 585 |
| Special | 309,161 | 295,135 | 294,266 | 869 |
| Vocational | 2,981,309 | 2,794,446 | 2,792,003 | 2,443 |
| Adult/Continuing | 9,870 | 9,870 | 9,869 | 1 |
| Student Intervention Services | 110,772 | 105,161 | 104,926 | 235 |
| Support Services: | | | | |
| Pupil | 264,493 | 241,272 | 241,032 | 240 |
| Instructional Staff | 375,477 | 352,983 | 352,687 | 296 |
| Board of Education | 91,227 | 88,422 | 88,069 | 353 |
| Administration | 326,895 | 310,064 | 309,659 | 405 |
| Fiscal | 313,403 | 302,237 | 301,958 | 279 |
| Operation and Maintenance of Plant | 801,874 | 764,321 | 763,557 | 764 |
| Central | 105,934 | 101,323 | 101,065 | 258 |
| *Total Expenditures* | 6,008,494 | 5,698,481 | 5,691,753 | 6,728 |
| *Excess of Revenues Over (Under) Expenditures* | (378,130) | 333,202 | 340,484 | 7,282 |
| **Other Financing Sources (Uses)** | | | | |
| Sale of Assets Held for Resale | 52,000 | 52,000 | 52,000 | 0 |
| Advances In | 508,725 | 255,864 | 250,815 | (5,049) |
| Advances Out | (29,297) | (29,297) | (24,801) | 4,496 |
| Transfers In | 442,280 | 430,606 | 0 | (430,606) |
| Transfers Out | (515,428) | (515,428) | (84,823) | 430,605 |
| *Total Other Financing Sources (Uses)* | 458,280 | 193,745 | 193,191 | (554) |
| *Net Change in Fund Balance* | 80,150 | 526,947 | 533,675 | 6,728 |
| *Fund Balance Beginning of Year* | 830,409 | 830,409 | 830,409 | 0 |
| Prior Year Encumbrances Appropriated | 106,696 | 106,696 | 106,696 | 0 |
| *Fund Balance End of Year* | $1,017,255 | $1,464,052 | $1,470,780 | $6,728 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2019*

| | Governmental Activity Internal Service Fund |
|---|---|
| **Current Assets** | |
| Cash and Cash Equivalents with Fiscal Agent | $1,105,915 |
| Accounts Receivable | 3,793 |
| *Total Assets* | 1,109,708 |
| **Current Liabilities** | |
| Claims Payable | 81,011 |
| **Net Position** | |
| Unrestricted | 1,028,697 |
| *Total Net Position* | $1,028,697 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**

*Statement of Revenues, Expenses and Changes in Fund Net Position*
*Proprietary Fund*
*For the Fiscal Year Ended June 30, 2019*

| | Governmental Activity |
|---|---|
| | Internal Service Fund |
| **Operating Revenues** | |
| Charges for Services | $975,729 |
| Other Operating Revenues | 3,150 |
| *Total Operating Revenues* | 978,879 |
| **Operating Expenses** | |
| Purchased Services | 219,773 |
| Claims | 542,007 |
| *Total Operating Expenses* | 761,780 |
| *Operating Income* | 217,099 |
| **Non-Operating Revenues** | |
| Interest | 17,952 |
| *Change in Net Position* | 235,051 |
| *Net Position Beginning of Year* | 793,646 |
| *Net Position End of Year* | $1,028,697 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**

*Statement of Cash Flows*

*Proprietary Fund*

*For the Fiscal Year Ended June 30, 2019*

| | Governmental Activity |
|---|---|
| | Internal Service Fund |
| **Increase (Decrease) in Cash and Cash Equivalents** | |
| **Cash Flows from Operating Activities** | |
| Cash Received from Interfund Services | $975,729 |
| Cash Payments for Goods and Services | (219,773) |
| Cash Payments for Claims | (698,675) |
| Cash Received from Other Operating Revenue | 122,506 |
| *Net Cash Provided by Operating Activities* | 179,787 |
| **Cash Flows from Investing Activities** | |
| Interest | 17,952 |
| *Net Cash Provided by Investing Activities* | 17,952 |
| *Net Change in Cash and Cash Equivalents* | 197,739 |
| *Cash and Cash Equivalents Beginning of Year* | 908,176 |
| *Cash and Cash Equivalents End of Year* | $1,105,915 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities** | |
| Operating Income | $217,099 |
| Increase in Accounts Receivable | (2,774) |
| Decrease in Claims Payable | (34,538) |
| *Net Cash Provided by Operating Activities* | $179,787 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Statement of Fiduciary Assets and Liabilities*
*Fiduciary Fund*
*June 30, 2019*

| | Agency |
|---|---|
| **Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $68,672 |
| *Total Assets* | $68,672 |
| **Liabilities** | |
| Due to Students | $68,672 |
| *Total Liabilities* | $68,672 |

See accompanying notes to the basic financial statements

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## NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Jefferson County Joint Vocational School District is a joint vocational school district as defined by Section 3331.18 of the Ohio Revised Code and 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. A vocational school exposes students to job training leading to employment upon graduation from high school. The Jefferson County Joint Vocational School District includes five members' schools throughout Jefferson County and one member school from Carroll County.

The School District operates under a nine member Board of Education and is responsible for the provision of public education to residents of the school district. The Board of Education consists of three members of the Jefferson County Educational Resource Center, two members of the Steubenville City School District and one member of Toronto City, Indian Creek Local, Buckeye Local and Edison Local School Districts'.

The Jefferson County Board of Education was the sponsoring Board of Education initiating the Jefferson County Joint Vocational School District. The initial meeting of the Jefferson County Joint Vocational School District Board was held on May 6, 1970. Three levy attempts failed in 1970, 1971, and 1972. A special levy was placed on the ballot in July 1972 and passed.

Ground breaking occurred on January 26, 1974. September, 1975 the Jefferson County Joint Vocational School District opened with 375 students and 15 programs. The first senior class completed their programs in June of 1977. Currently, the School District is staffed by 5 administrative employees, 19 non-certificated employees and 29 certificated personnel who provide services to 310 students and other community members.

*Reporting Entity:*

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

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

The School District participated in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), and the Coalition of Rural and Appalachian Schools (CORAS), jointly governed organization, the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) and the Schools of Ohio Risk Sharing Authority (SORSA), insurance purchasing pools, and the Jefferson Health Plan Self-Insurance Plan, which is defined as a risk-sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 16 and 17.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

### B. Fund Accounting

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

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

> ***General Fund*** - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Permanent Improvement Fund*** – The Permanent Improvement Fund is used to account for a permanent improvement levy used to finance various capital projects at the School District.

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

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

> ***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug and dental claims.

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

## C. Measurement Focus

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resource measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants, charges for services, and revenue in lieu of taxes.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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 School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 11 and Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow 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 School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18. Net deferred inflows of resources related to pension and OPEB are reported on the government-wide Statement of Net Position. See Note 11 and Note 12 for more information.

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

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

## E. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

## F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." The School District utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as "Cash and Cash Equivalents with Fiscal Agents."

During fiscal year 2019, the School District invested in STAROhio. STAROhio (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. STAROhio 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 School District measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAROhio reserves the right to limit the transaction to $100 million per day, 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 statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2019 amounted to $697 which includes $429 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. The District had no investments meeting the above criteria.

**G. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the governmental funds represent unexpended revenues restricted for unclaimed monies and amounts required by State Statute to be set aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

**H. Assets Held for Resale**

As an integral part of the instructional laboratory experience for the Construction Trades programs, houses are constructed on the School District site for the purpose of being sold at public auction upon completion. Transactions are conducted through the School District's General Fund for reporting purposes.

Currently, the School District is constructing a modular home. At June 30, 2019, the value of the modular home being constructed is $53,153 and is recorded as asset held for resale.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**J. Inventory**

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

**K. Capital Assets**

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School

District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for land. 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:

| Description | Governmental Activities Estimated Lives |
|---|---|
| Land Improvements | 20 Years |
| Buildings and Improvements | 21-50 Years |
| Furniture and Equipment | 5-25 Years |
| Vehicles | 8 - 15 Years |

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position.

**M. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

**N. 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, and compensated absences, which 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 governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that the benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

## O. Interfund Activity

Transfers within governmental activities on the government-wide statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

## P. Fund Balance

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

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the 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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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. For fiscal year 2019, the School District has a committed fund balance in the amount of $120,148 for capital projects.

` ***Assigned:*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the School District Board of Education to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The amount assigned in the General Fund represents amounts for purchase on order.

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

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

## Q. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include local receipts restricted for student programs.

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

## R. Operating Revenues and Expenses

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

## S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither transaction occurred during fiscal year 2019.

**T. Estimates**

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

**U. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

## NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2019, the School District implemented Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

## NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or unassigned fund balance (GAAP basis).

4. Advances in and advance out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. The proceeds from the sale of assets held for resale are reported on the operating statements (budget basis) and reduce the value of the asset on the balance sheet (GAAP basis).

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

Net Change in Fund Balance

| | General |
|---|---|
| GAAP Basis | $578,463 |
| Revenue Accruals | (121,395) |
| Advances In | 250,815 |
| Expenditure Accruals | (104,410) |
| Sale of Assets Held for Resale | 52,000 |
| Advance Out | (24,801) |
| Encumbrances | (96,997) |
| Budget Basis | $533,675 |

## NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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.

At June 30, 2019, the School District's internal service fund had a balance of $1,105,915 with Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

<u>Deposits</u>

***Custodial credit risk*** for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2019, $972,518 of the School District's total bank balance of $2,195,037 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the School 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
>
> 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 rate set by the Treasurer of State.

Investments

As of June 30, 2019, the School District's only investment was in STAROhio. STAROhio is measured at net asset value per share. The value of the investments in STAROhio was $29,880 and the investment has an average maturity of 53.3 days.

***Interest Rate Risk*** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

***Credit Risk*** STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

## NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jefferson, Harrison, Carroll and Belmont Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property and public utility property taxes which were measurable as of June 30, 2019 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 of resources – property taxes.

The amount available as an advance at June 30, 2019, was $240,329 in the General Fund and $45,375 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2018 was $108,490 in the General Fund and $5,714 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

| | 2018 Second Half Collections | | 2019 First Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential And Other Real Estate | $987,423,590 | 71.99% | $1,114,192,850 | 73.49% |
| Public Utility Personal | 384,136,320 | 28.01% | 401,927,500 | 26.51% |
| Total Assessed Values | $1,371,559,910 | 100.00% | $1,516,120,350 | 100.00% |
| Tax Rate per $1,000 of assessed valuation | $2.50 | | $2.50 | |

## NOTE 7 - RECEIVABLES

Receivables at June 30, 2019, consisted of property taxes, accounts, intergovernmental grants, revenue in lieu of taxes, and interfund receivables. 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of $189,497 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

| **Governmental Activities** | Amount |
|---|---|
| Rural Education Achievement Grant | $2,753 |
| Perkins Grant | 24,248 |
| Bureau of Workers' Compensation Rebate | 5,548 |
| Federal Lunch Grant | 9,221 |
| Total Intergovernmental Receivables | $41,770 |

***Tax Increment Financing – Business Development*** On November 17, 2015 the Board of Education of Jefferson County Joint Vocational School District approved a Tax Increment Financing Agreement (TIF) with the City of Steubenville. The purpose of the TIF is economic development, and infrastructure improvements benefitting the public. The TIF agreement is for a thirty year period effective December 3, 2015. As of June 30, 2019, a receivable for $2,476 has been recorded which represents the payment anticipated for fiscal year 2020.

## NOTE 8 - INTERNAL BALANCES AND TRANSFERS

Interfund balances at June 30, 2019 consisted of the following individual interfund receivables and payables:

| | Interfund Receivable General Fund |
|---|---|
| Interfund Payable | |
| Permanent Improvement | $210,927 |
| Other Nonmajor Governmental | 24,801 |
| Total Interfund Payable | $235,728 |

The loan made to the Permanent Improvement Capital Projects Fund was to move money for Phase III, Part 2 roof project until property tax revenues are received. The loan made to the Perkins Grant Special Revenue Fund was to support the program until grant monies are received to operate the program.

Interfund transfers for the year ended June 30, 2019 consisted of the following:

| | Transfers To Other Non-major Governmental |
|---|---|
| Transfers from | |
| General Fund | $84,823 |

Transfers from the General Fund were used to provide revenue to the Debt Service Fund for scheduled debt service payments and to the Miscellaneous Local Fund to support the program.

## NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

| | Balance 6/30/18 | Additions | Deletions | Balance 6/30/19 |
|---|---|---|---|---|
| Nondepreciable Capital Assets: | | | | |
| Land | $87,522 | $0 | $0 | $87,522 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 150,781 | 0 | 0 | 150,781 |
| Buildings and Improvements | 8,407,004 | 176,350 | 0 | 8,583,354 |
| Furniture and Equipment | 2,165,301 | 169,173 | (852,192) | 1,482,282 |
| Vehicles | 71,883 | 0 | 0 | 71,883 |
| Total Depreciable Capital Assets | 10,794,969 | 345,523 | (852,192) | 10,288,300 |
| Accumulated Depreciation: | | | | |
| Land Improvements | (93,303) | (9,622) | 0 | (102,925) |
| Buildings and Improvements | (4,524,007) | (246,496) | 0 | (4,770,503) |
| Furniture and Equipment | (1,787,786) | (91,423) | 852,192 | (1,027,017) |
| Vehicles | (43,985) | (2,657) | 0 | (46,642) |
| Total Accumulated Depreciation | (6,449,081) | (350,198) | 852,192 | (5,947,087) |
| Total Depreciable Capital Assets, Net | 4,345,888 | (4,675) | 0 | 4,341,213 |
| Governmental Capital Assets, Net | $4,433,410 | ($4,675) | $0 | $4,428,735 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Instruction: | |
| Vocational | $309,519 |
| Support Services: | |
| Administration | 9,860 |
| Fiscal | 2,465 |
| Operation of Maintenance and Plant | 23,424 |
| Food Service Operations | 4,930 |
| Total Depreciation Expense | $350,198 |

## NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019 the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 17) for property, general liability, and auto insurance. Coverages provided are as follows:

**A. Property and Liability**

| | |
|---|---|
| *Property - Including Inland Marine and Miscellaneous Equipment:* | |
| Building and Contents-replacement cost (no deductible) | $25,812,050 |
| *Crime Cover:* | |
| Employee Theft | 1,000,000 |
| Forgery | 1,000,000 |
| Computer Fraud | 1,000,000 |
| *General Liability:* | |
| Each Occurance | 15,000,000 |
| Aggregated Limit | 17,000,000 |
| *Automobile Liability:* | |
| Bodily Injury and Property Damage- Per Occurance | 15,000,000 |
| Medical Payments - Per Occurance | 10,000 |
| Medical Payments - Aggregate | 25,000 |
| Uninsured Motorist - Aggregate | 1,000,000 |

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

**B. Worker's Compensation**

For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**C. Employee Benefits**

Medical/surgical, prescription drug, life and dental insurance are offered to employees through a self-insurance internal service fund. The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical/prescription drug coverage is based on a usual, customary, and reasonable claim plan. The Board's share of the premiums for this coverage is $1,438.26 for individual coverage per month and $2,857.84 for family coverage per month which represents 95 percent of the total premium for the certified and classified staff. The premium is paid from the fund that pays the salary of the covered employee. Premiums for the dental coverage are $102.75 per month for family coverage and $46.38 per month for single coverage for all staff. The Board's share of dental coverage premiums is 95 percent for the certified and classified staff.

The claims liability of $81,011 reported in the Internal Service Fund at June 30, 2019 is based on an estimate calculated by averaging the past three fiscal years claims payable amounts and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

| Program | Beginning Balance | Current Year Claims | | Claims Payments | | Ending Balance |
|---|---|---|---|---|---|---|
| Self Insurance - Health | | | | | | |
| 2018 | $191,077 | $652,762 | | $728,290 | | $115,549 |
| 2019 | 115,549 | 545,800 | (1) | 580,338 | (2) | 81,011 |
| (1) Claims Expense | | $542,007 | | | | |
| +Stop Loss Receivable | | 3,793 | | | | |
| Current Year Claims | | $545,800 | | | | |
| (2) Cash Payments for Claims | | | | $698,675 | | |
| - Stop Loss Received for 2019 Claims | | | | (118,337) | | |
| Claims Payments | | | | $580,338 | | |

## NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

***Net Pension Liability/Net OPEB Liability (asset)***

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS'

Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $86,562 for fiscal year 2019, of which the full amount has been contributed.

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 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 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was $288,883 for fiscal year 2019. Of this amount $38,887 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability Prior Measurement Date | 0.01565330% | 0.01781101% | |
| Proportion of the Net Pension Liability Current Measurement Date | 0.01992380% | 0.01766606% | |
| Change in Proportionate Share | 0.00427050% | -0.00014495% | |
| Proportionate Share of the Net Pension Liability | $1,141,073 | $3,884,370 | $5,025,443 |
| Pension Expense | $152,106 | $310,470 | $462,576 |

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $62,581 | $89,663 | $152,244 |
| Changes of assumptions | 25,768 | 688,384 | 714,152 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 137,869 | 3,396 | 141,265 |
| School District contributions subsequent to the measurement date | 86,562 | 288,883 | 375,445 |
| Total Deferred Outflows of Resources | $312,780 | $1,070,326 | $1,383,106 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $0 | $25,367 | $25,367 |
| Net difference between projected and actual earnings on pension plan investments | 31,616 | 235,544 | 267,160 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | 35,890 | 142,420 | 178,310 |
| Total Deferred Inflows of Resources | $67,506 | $403,331 | $470,837 |

$375,445 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | SERS | STRS | Total |
|---|---|---|---|
| 2020 | $153,596 | $270,479 | $424,075 |
| 2021 | 52,259 | 180,669 | 232,928 |
| 2022 | (37,447) | (15,834) | (53,281) |
| 2023 | (9,696) | (57,202) | (66,898) |
| Total | $158,712 | $378,112 | $536,824 |

***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, 2018, are presented below:

| | |
|---|---|
| Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 2.5 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |

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

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

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

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $1,607,287 | $1,141,073 | $750,183 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, 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 |
| Discount Rate of Return | 7.45 percent |
| Payroll Increases | 3 percent |
| Cost-of-Living Adjustments (COLA) | 0.0 percent, effective July 1, 2017 |

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.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

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

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

***Discount Rate*** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. 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, 2018.

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $5,672,611 | $3,884,370 | $2,370,867 |

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2019, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

## NOTE 12 – DEFINED BENEFIT OPEB PLAN

See Note 11 for a description of the net OPEB liability (asset).

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

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

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

Funding Policy - State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .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 2019, this amount was $21,600. 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 2019, the School District's surcharge obligation was $10,072.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $13,217 for fiscal year 2019. Of this amount $10,072 is reported as an intergovernmental 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, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net OPEB Liability Prior Measurement Date | 0.01565390% | 0.01781101% | |
| Proportion of the Net OPEB Liability Current Measurement Date | 0.01968220% | 0.01766606% | |
| Change in Proportionate Share | 0.00402830% | -0.00014495% | |
| Proportionate Share of the: | | | |
| Net OPEB Liability | $546,038 | $0 | $546,038 |
| Net OPEB (Asset) | $0 | ($283,875) | ($283,875) |
| OPEB Expense | $34,883 | ($620,693) | ($585,810) |

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $8,913 | $33,158 | $42,071 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 93,214 | 0 | 93,214 |
| School District contributions subsequent to the measurement date | 13,217 | 0 | 13,217 |
| Total Deferred Outflows of Resources | $115,344 | $33,158 | $148,502 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $0 | $16,539 | $16,539 |
| Changes of assumptions | 49,057 | 386,802 | 435,859 |
| Net difference between projected and actual earnings on OPEB plan investments | 819 | 32,431 | 33,250 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | 15,932 | 25,728 | 41,660 |
| Total Deferred Inflows of Resources | $65,808 | $461,500 | $527,308 |

$13,217 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2020 | ($11,789) | ($77,058) | ($88,847) |
| 2021 | (5,256) | (77,058) | (82,314) |
| 2022 | 15,426 | (77,058) | (61,632) |
| 2023 | 15,774 | (69,693) | (53,919) |
| 2024 | 15,718 | (67,102) | (51,384) |
| 2025 | 6,446 | (60,373) | (53,927) |
| Total | $36,319 | ($428,342) | ($392,023) |

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

| | |
|---|---|
| Inflation | 3.00 percent |
| Wage Increases | 3.50 percent to 18.20 percent |
| Investment Rate of Return | 7.50 percent net of investment expense, including inflation |
| Municipal Bond Index Rate: | |
| Measurement Date | 3.62 percent |
| Prior Measurement Date | 3.56 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Measurement Date | 3.70 percent |
| Prior Measurement Date | 3.63 percent |
| Medical Trend Assumption | |
| Medicare | 5.375 to 4.75 percent |
| Pre-Medicare | 7.25 to 4.75 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.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

***Discount Rate*** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 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 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

| | 1% Decrease (2.70%) | Current Discount Rate (3.70%) | 1% Increase (4.70%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $662,573 | $546,038 | $453,763 |

| | 1% Decrease (6.25 % decreasing to 3.75%) | Current Trend Rate (7.25 % decreasing to 4.75%) | 1% Increase (8.25 % decreasing to 5.75%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $440,552 | $546,038 | $685,719 |

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

| | |
|---|---|
| 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 |
| Discount Rate of Return | 7.45 percent |
| Blended Discount Rate of Return - prior Year | 4.13 percent |
| Health Care Cost Trends | |
| Medical | |
| Pre-Medicare | 6 percent initial, 4 percent ultimate |
| Medicare | 5 percent initial, 4 percent ultimate |
| Prescription Drug | |
| Pre-Medicare | 8 percent initial, 4 percent ultimate |
| Medicare | -5.23 initial, 4 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, 2018, 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 the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

***Discount Rate*** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. 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.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset 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 assumption. Also shown is the net OPEB asset 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 (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB asset | ($243,308) | ($283,875) | ($317,971) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School District's proportionate share of the net OPEB asset | ($316,046) | ($283,875) | ($251,204) |

## NOTE 13 - OTHER EMPLOYEE BENEFITS

### A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees who work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

### B. Other Insurance Benefits

The Board pays 100 percent of the premiums for life and vision coverage. Life insurance is provided through MetLife. Coverage is in the amount of $45,000 for all certified teachers and classified employees at a total monthly premium of $6.17 and coverage of $50,000 for administrators at a total monthly premium of $7.25. The School District provides vision insurance through Vision Service Plan at a cost of $9.18 for single coverage and $20.53 for family coverage per month.

## NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2019 were as follows:

| | Outstanding 6/30/18 | Additions | Deductions | Outstanding 6/30/19 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| ***2010 Energy Conservation Qualified School Construction Bonds:*** | | | | | |
| Serial Bonds, $1,078,690 @ 2.170% | $540,808 | $0 | $72,373 | $468,435 | $73,943 |
| Compensated Absences | 294,659 | 68,316 | 71,597 | 291,378 | 32,810 |
| *Other Long-Tem Obligations* | | | | | |
| Net Pension Liability * | | | | | |
| SERS | 935,249 | 205,824 | 0 | 1,141,073 | 0 |
| STRS | 4,231,044 | 0 | 346,674 | 3,884,370 | 0 |
| Total Net Pension Liability | 5,166,293 | 205,824 | 346,674 | 5,025,443 | 0 |
| Net OPEB Liability ** | | | | | |
| SERS | 420,110 | 125,928 | 0 | 546,038 | 0 |
| STRS | 694,919 | 0 | 694,919 | 0 | 0 |
| Total Net OPEB Liability | 1,115,029 | 125,928 | 694,919 | 546,038 | 0 |
| Total Long-Term Obligations | $7,116,789 | $400,068 | $1,185,563 | $6,331,294 | $106,753 |

* For additional information related to the net pension liability, See Note 11
** For additional information related to the net OPEB liability, See Note 12

*2010 Energy Conservation Qualified School Construction Bonds* – On March 17, 2010, Jefferson County Joint Vocational School District issued $1,078,690 of general obligation bonds, in accordance with the American Recovery and Reinvestment Act (ARRA) of 2009 and House Bill 264. The bonds were issued to finance an energy conservation project. The bonds were issued at a 2.170 percent interest rate, for a period of fifteen years with a final maturity at September 15, 2024.

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA/Negative from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and Interest requirements to retire the remaining outstanding qualified school construction bonds for the 2010 Energy Conservation Bonds outstanding at June 30, 2019 are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $73,943 | $9,363 | $83,306 |
| 2021 | 75,548 | 7,741 | 83,289 |
| 2022 | 77,187 | 6,084 | 83,271 |
| 2023 | 78,862 | 4,390 | 83,252 |
| 2024 | 80,573 | 2,660 | 83,233 |
| 2025 | 82,322 | 892 | 83,214 |
| Total | $468,435 | $31,130 | $499,565 |

The School District's voted legal debt margin was $135,982,397 with an unvoted debt margin of $1,516,120, at June 30, 2019.

Compensated absences will be paid from the General Fund.

*Net Pension/OPEB Liability* – There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the following funds the General Fund, the Food Service and Perkins Grant Special Revenue Funds. For additional information related to the net pension liability, See Note 11 and Note 12.

## NOTE 15 - COMMITMENTS

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

| | |
|---|---|
| Major Funds: | |
| General | $96,997 |
| Permanent Improvement | 61,516 |
| Other Non-major Governmental Funds | 1,415 |
| Total | $159,928 |

## NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. The School District did not participate in the natural gas sales service program. During fiscal year 2019, the total amount paid to OME-RESA from the School District was $7,507 for technology services and $9,113 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including approximately 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was $325 for fiscal year 2019.

## NOTE 17 - PUBLIC ENTITY POOLS

### A. Insurance Purchasing Pools

*Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee of $260 for policy year 2019 was paid to CompManagement, Inc.

*Schools of Ohio Risk Sharing Authority (SORSA)* – The School District participates in the Schools of Ohio Risk Sharing Authority, a protected self-insurance purchasing pool under the authority of Ohio Revised Code 2744. One hundred eight school districts, educational service centers and joint vocational school districts participate in the SORSA. SORSA is governed by a board of trustees elected by members. Member school districts agree to jointly participated in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public official's errors and omissions liability insurance.

**B. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool**

*The Jefferson Health Plan Self-Insurance Plan* – The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred eighty members. Each participant appoints a member of the insurance plans' assembly. The Plans' business affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, vision, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from $35,000 to $500,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and $1,500,000, and all claims between the deductible and the $1,500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding $1,500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

## NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District's General Fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2004, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statue.

The following cash basis information describes the change in the year-end set-aside amounts for capital improvements, and budget stabilization. Disclosure of this information is required by State Statute.

| | Capital Improvements | Budget Stabilization |
|---|---|---|
| Set-aside Restricted Balance as of June 30, 2018 | $0 | $17,604 |
| Current Year Set-aside Requirement | 57,436 | 0 |
| Current Year Offsets | (590,482) | 0 |
| Totals | ($533,046) | $17,604 |
| Balance Carried Forward to Fiscal Year 2020 | $0 | $17,604 |
| Set-aside Restricted Balance as of June 30, 2019 | $0 | $17,604 |

The School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years. The School District also had prior year capital expenditures from note and bond proceeds that may be carried forward to offset future set-aside requirements, if needed. The total restricted balance for the set-asides at the end of the fiscal year was $17,604.

## NOTE 19 - CONTINGENCIES

### A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2019.

### B. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 were finalized which did not result in a significant receivable or liability of the School District.

### C. Litigation

The School District is currently not a party to any pending litigation.

**D. Paid Up Oil and Gas Lease**

The Board of Education entered into a "Paid-Up" Oil and Gas Lease effective October 12, 2011 and continuing for a period of five years with Hess Ohio Resources, LLC. In consideration of the execution of the lease, the School District received a bonus of $445,540 during fiscal year 2012. On September 20, 2016, The Board of Education approved an addendum to the oil and gas lease agreement with Ascent Resources – Utica, LLC, previously, Hess Ohio Resources. The oil and gas lease has been amended to extend the lease period from October 12, 2011 to October 11, 2019 and the School District has an option to extend the primary term of this lease for up to two additional successive terms of one year each. The amendment calls for a bonus payment of $285,585 tendered in three payments as follows: $118,846 within ninety days of receipt of order of payment, received December 21, 2016; $83,369 on or before October 11, 2017, received September 27, 2017: and $83,370 on or before October 11, 2018, received October 23, 2018.

The School District has a total of 88.691 acres subject to the lease provisions which call for payments or royalties to the School District (Lessor), in addition to the bonus. The royalties will be 18.75 percent of the gross price paid to Ascent Resources – Utica, LLC (Lessee) for such gas oil, and other hydrocarbons so produced and marketed from the leased premises. The total carrying value of the land leased is $87,522. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

## NOTE 20 – SUBSEQUENT EVENT DISCLOSURE

*Tax Levy* – On June 18, 2019, the Board of Education passed a resolution to place a 1 mill, 7 year, tax renewal levy on the November 5, 2019 ballot. The levy passed.

*Oil and Gas Lease* – On October 16, 2019, the School District received $83,370 which represents the first extension payment of the signing bonus for the "Paid-Up" Oil and Gas Lease with Ascent Resources – Utica, LLC, which was effective September 20, 2016. See Contingency Note 19 for further details.

# Required

# Supplementary

# Information

**Jefferson County Joint Vocational School District**

*Required Supplementary Information*

*Schedule of the School District's Proportionate Share of the Net Pension Liability*

*School Employees Retirement System of Ohio*

*Last Six Fiscal Years (1)**

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| School District's Proportion of the Net Pension Liability | 0.01992380% | 0.01565330% | 0.01682840% |
| School District's Proportionate Share of the Net Pension Liability | $1,141,073 | $935,249 | $1,231,684 |
| School District's Covered Payroll | $591,319 | $503,786 | $523,329 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 192.97% | 185.64% | 235.36% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.36% | 69.50% | 62.98% |

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

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

See accompanying notes to the required supplementary information.

| | | |
|---|---|---|
| 2016 | 2015 | 2014 |
| 0.01668270% | 0.01718500% | 0.01718500% |
| $951,931 | $869,723 | $1,021,937 |
| $504,173 | $500,996 | $476,847 |
| 188.81% | 173.60% | 214.31% |
| 69.16% | 71.70% | 65.52% |

**Jefferson County Joint Vocational School District**

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| School District's Proportion of the Net Pension Liability | 0.01766606% | 0.01781101% | 0.18349290% |
| School District's Proportionate Share of the Net Pension Liability | $3,884,370 | $4,231,044 | $6,142,060 |
| School District's Covered Payroll | $2,011,521 | $1,960,729 | $1,927,607 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 193.11% | 215.79% | 318.64% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.30% | 75.30% | 66.80% |

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

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

See accompanying notes to the required supplementary information.

| 2016 | 2015 | 2014 |
|---|---|---|
| 0.01829970% | 0.01863591% | 0.01863591% |
| $5,057,503 | $4,532,899 | $5,399,559 |
| $1,940,271 | $1,900,685 | $1,893,638 |
| 260.66% | 238.49% | 285.14% |
| 72.10% | 74.70% | 69.30% |

**Jefferson County Joint Vocational School District**

*Required Supplementary Information*

*Schedule of the School District's Proportionate Share of the Net OPEB Liability*

*School Employees Retirement System of Ohio*

*Last Three Fiscal Years (1) **

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| School District's Proportion of the Net OPEB Liability | 0.01968220% | 0.01565390% | 0.01675290% |
| School District's Proportionate Share of the Net OPEB Liability | $546,038 | $420,110 | $477,520 |
| School District's Covered Payroll | $591,319 | $503,786 | $523,329 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 92.34% | 83.39% | 91.25% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 13.57% | 12.46% | 11.49% |

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

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

See accompanying notes to the required supplementary information.

## Jefferson County Joint Vocational School District

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| School District's Proportion of the Net OPEB (Asset) Liability | 0.01766606% | 0.01781101% | 0.01834929% |
| School District's Proportionate Share of the Net OPEB (Asset) Liability | ($283,875) | $694,919 | $981,325 |
| School District's Covered Payroll | $2,011,521 | $1,960,729 | $1,927,607 |
| School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll | -14.11% | 35.44% | 50.91% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 176.00% | 47.10% | 37.30% |

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

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

See accompanying notes to the required supplementary information.

## Jefferson County Joint Vocational School District

*Required Supplementary Information*
*Schedule of School District Contributions*
*School Employees Retirement System of Ohio*
*Last Ten Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| **Net Pension Liability** | | | | |
| Contractually Required Contribution | $86,562 | $79,828 | $70,530 | $73,266 |
| Contributions in Relation to the Contractually Required Contribution | (86,562) | (79,828) | (70,530) | (73,266) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| School District Covered Payroll (1) | $641,200 | $591,319 | $503,786 | $523,329 |
| Contributions as a Percentage of Covered Payroll | 13.50% | 13.50% | 14.00% | 14.00% |
| **Net OPEB Liability** | | | | |
| Contractually Required Contribution (2) | $13,217 | $11,234 | $7,465 | $7,186 |
| Contributions in Relation to the Contractually Required Contribution | (13,217) | (11,234) | (7,465) | (7,186) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| OPEB Contributions as a Percentage of Covered Payroll | | 1.90% | 1.48% | 1.37% |
| Total Contributions as a Percentage of Covered Payroll (2) | 13.50% | 15.40% | 15.48% | 15.37% |

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

See accompanying notes to the required supplementary information.

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| $66,450 | $69,438 | $65,996 | $63,589 | $62,752 | $61,279 |
| (66,450) | (69,438) | (65,996) | (63,589) | (62,752) | (61,279) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $504,173 | $500,996 | $476,847 | $472,780 | $499,221 | $452,574 |
| 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% |
| $11,479 | $7,957 | $7,591 | $8,264 | $13,044 | $9,024 |
| (11,479) | (7,957) | (7,591) | (8,264) | (13,044) | (9,024) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| 2.28% | 1.59% | 1.59% | 1.75% | 2.61% | 1.99% |
| 15.46% | 15.45% | 15.43% | 15.20% | 15.18% | 15.53% |

**Jefferson County Joint Vocational School District**

*Required Supplementary Information*
*Schedule of School District Contributions*
*State Teachers Retirement System of Ohio*
*Last Ten Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| **Net Pension Liability** | | | | |
| Contractually Required Contribution | $288,883 | $281,613 | $274,502 | $269,865 |
| Contributions in Relation to the Contractually Required Contribution | (288,883) | (281,613) | (274,502) | (269,865) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| School District Covered Payroll (1) | $2,063,450 | $2,011,521 | $1,960,729 | $1,927,607 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% |
| **Net OPEB Liability** | | | | |
| Contractually Required Contribution | $0 | $0 | $0 | $0 |
| Contributions in Relation to the Contractually Required Contribution | 0 | 0 | 0 | 0 |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| OPEB Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% |

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

See accompanying notes to the required supplementary information.

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| $271,638 | $247,089 | $246,173 | $265,545 | $287,921 | $280,017 |
| (271,638) | (247,089) | (246,173) | (265,545) | (287,921) | (280,017) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $1,940,271 | $1,900,685 | $1,893,638 | $2,042,651 | $2,214,776 | $2,153,669 |
| 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |
| $0 | $19,007 | $18,936 | $20,427 | $22,148 | $21,537 |
| 0 | (19,007) | (18,936) | (20,427) | (22,148) | (21,537) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| 0.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

## Net Pension Liability

### Changes in Assumptions – SERS

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

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

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

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

### Changes in Assumptions - STRS

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

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

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

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

**Net OPEB Liability**

**Changes in Assumptions – SERS**

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

| | |
|---|---|
| Municipal Bond Index Rate: | |
| Fiscal year 2019 | 3.62 percent |
| Fiscal year 2018 | 3.56 percent |
| Fiscal year 2017 | 2.92 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Fiscal year 2019 | 3.70 percent |
| Fiscal year 2018 | 3.63 percent |
| Fiscal year 2017 | 2.98 percent |

**Changes in Assumptions – STRS**

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

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

**Changes in Benefit Terms – STRS OPEB**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

## Financial Highlights

Key financial highlights for the fiscal year 2018 are as follows:

- In total, net position increased $2,652,987.
- General revenues accounted for $5,493,840, in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for $998,427 or 15 percent of total revenues of $6,492,267.
- Total assets of governmental activities increased $388,385. Current assets decreased by $134,176 due primarily to decreased property taxes receivables and assets held for resale. Capital assets increased by $522,561 due to building improvements. Total liabilities decreased $2,671,173, primarily due to a decrease in the School District's net pension liability.
- The School District had $3,839,280 in expenses related to governmental activities. Only $998,427 of these expenses was offset by program specific charges for services and sales and operating grants and contributions. General revenues of $5,493,840 were adequate to provide for these programs.
- Total governmental funds had $6,470,417 in revenues and $6,752,653 in expenditures. The net change in governmental fund balances, including other financing sources (uses) was a decrease of $282,236.

## Using this Annual Financial Report

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

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

*Reporting the School District as a Whole*

*Statement of Net Position and Statement of Activities*

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

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

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities including instruction, support services, and food service operations.

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

*Fund Financial Statements*

The analysis of the School District's funds begins on page 88. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

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

## The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017. 2017 has been restated as described in Note 3.

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

| | Governmental Activities | | |
|---|---|---|---|
| | **2018** | **2017** | **Change** |
| **Assets** | | | |
| Current and Other Assets | $5,741,680 | $5,875,856 | ($134,176) |
| Capital Assets | 4,433,410 | 3,910,849 | 522,561 |
| **Total Assets** | 10,175,090 | 9,786,705 | 388,385 |
| **Deferred Outflows of Resources** | | | |
| Pension | 1,547,734 | 1,316,433 | 231,301 |
| OPEB | 51,349 | 7,465 | 43,884 |
| Total Deferred Outflows of Resources | 1,599,083 | 1,323,898 | 275,185 |
| **Liabilities** | | | |
| Current and Other Liabilities | 652,258 | 687,905 | (35,647) |
| Long-Term Liabilities | | | |
| Due Wthin One Year | 106,599 | 100,902 | 5,697 |
| Due in More than One Year: | | | |
| Net Pension Liability | 5,166,293 | 7,373,744 | (2,207,451) |
| Net OPEB Liability | 1,115,029 | 1,458,845 | (343,816) |
| Other Amounts | 728,868 | 818,824 | (89,956) |
| **Total Liabilities** | 7,769,047 | 10,440,220 | (2,671,173) |
| **Deferred Inflows of Resources** | | | |
| Property Taxes | 3,073,092 | 2,902,019 | 171,073 |
| Pension | 407,484 | 73,117 | 334,367 |
| OPEB | 176,316 | 0 | 176,316 |
| **Total Deferred Inflows of Resources** | 3,656,892 | 2,975,136 | 681,756 |
| **Net Position (Deficit)** | | | |
| Net Investment in Capital Assets | 3,892,602 | 3,299,206 | 593,396 |
| Restricted | 134,748 | 212,048 | (77,300) |
| Unrestricted | (3,679,116) | (5,816,007) | 2,136,891 |
| **Total Net Position (Deficit)** | $348,234 | ($2,304,753) | $2,652,987 |

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

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of 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 pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($853,373) to ($2,304,753).

Total assets of governmental activities increased $388,385. Current and other assets decreased $134,176 primarily due to decreases in property taxes receivable resulting from decreased assessed values and assets held for resale as the modular constructed by the carpentry program was sold. The decreases were offset by increases in intergovernmental receivables. Capital assets reflect an increase due to the completion of the Phase III, Part 2, roof project. The significant increase in deferred outflows of resources was due to an increase in the difference between projected and actual earnings on investments related to the School District's net pension/OPEB liability.

Total liabilities decreased $2,671,173. Long-term liabilities decreased $2,635,526 primarily due to a significant decrease in the net pension/OPEB liability. Current and other liabilities decreased $35,647 as a result of decreases in intergovernmental payables and claims payable, which was offset by an increase in accounts payable. The net pension/OPEB liability decrease represents the School District's proportionate share of the STRS and SERS unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives the readers further details regarding the results of activities for 2018 and 2017.

**Table 2**
**Changes in Net Postion**
**Governmental Activities**

| | 2018 | 2017 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Program Revenues | | | |
| Charges for Services and Sales | $244,629 | $201,780 | $42,849 |
| Operating Grants and Contributions | 753,798 | 716,404 | 37,394 |
| Total Program Revenues | 998,427 | 918,184 | 80,243 |
| General Revenues | | | |
| Property Taxes | 2,988,770 | 3,168,953 | (180,183) |
| Grants and Entitlements not Restricted to Specific Programs | 2,378,101 | 2,539,812 | (161,711) |
| Investment Earnings | 14,003 | 9,904 | 4,099 |
| Gas and Oil Lease Bonus | 83,370 | 118,846 | (35,476) |
| Others | 29,596 | 18,809 | 10,787 |
| Total General Revenues | 5,493,840 | 5,856,324 | (362,484) |
| **Total Revenues** | **6,492,267** | **6,774,508** | **(282,241)** |

| | Governmental Activities | | |
|---|---|---|---|
| | **2018** | **2017** | **Change** |
| Instruction | | | |
| Regular | 97,049 | 261,794 | (164,745) |
| Special | 27,199 | 367,803 | (340,604) |
| Vocational | 1,461,248 | 3,270,925 | (1,809,677) |
| Adult/Continuing | 17,021 | 10,975 | 6,046 |
| Student Intervention Services | 19,779 | 111,105 | (91,326) |
| Support Services | | | |
| Pupil | 129,157 | 259,664 | (130,507) |
| Instructional Staff | 308,436 | 310,551 | (2,115) |
| Board of Education | 69,135 | 74,531 | (5,396) |
| Administration | 286,945 | 281,904 | 5,041 |
| Fiscal | 291,246 | 320,210 | (28,964) |
| Operation and Maintenance of Plant | 866,165 | 1,149,108 | (282,943) |
| Central | 67,074 | 87,008 | (19,934) |
| Operation of Non-Instructional Services | 7,515 | 5,320 | 2,195 |
| Food Service Operations | 179,249 | 215,155 | (35,906) |
| Interest and Fiscal Charges | 12,062 | 13,592 | (1,530) |
| **Total Expenses** | **3,839,280** | **6,739,645** | **(2,900,365)** |
| **Change in Net Position** | 2,652,987 | 34,863 | 2,618,124 |
| Net Position (Deficit) | | | |
| Beginning of Year-Restated | (2,304,753) | N/A | |
| **Net Position (Deficit) End of Year** | $348,234 | ($2,304,753) | $2,652,987 |

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 $11,234 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $200,150. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | |
|---|---|
| Total 2018 program expenses under GASB 75 | $3,839,280 |
| Negative OPEB expense under GASB 75 | (200,150) |
| 2018 contractually required contribution | 11,234 |
| Adjusted 2018 program expenses | 3,650,364 |
| Total 2017 program expenses under GASB 45 | 6,739,645 |
| Decrease in program expenses not related to OPEB | ($3,089,281) |

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 11) As a result of these changes, pension expense decreased from $560,232 in fiscal year 2017 to a negative pension expense of $1,742,944 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

| **Program Expenses** | 2018 Program Expenses Related to Negative Pension Expense |
|---|---|
| Instruction: | |
| Regular | ($137,644) |
| Special | (220,806) |
| Vocational | (1,205,133) |
| Student Intervention Services | (59,882) |
| Support Services: | |
| Pupil | (70,928) |
| Instructional Staff | (3,080) |
| Administration | (4,440) |
| Fiscal | (18,714) |
| Operation and Maintenance of Plant | (12,093) |
| Central | (4,817) |
| Food Service Operations | (5,407) |
| Total Expenses | ($1,742,944) |

In 2018, 46 percent of the School District's revenues were from property taxes and 37 percent were from unrestricted grants and entitlements. Overall, program revenues reflect a slight increase, as a result of an increase in charges for services and sales due to increases in tuition and fees for open enrollment, and an increase in operating grants and contributions for special education funding.

Instructional programs comprise approximately 42 percent of total governmental program expenses. Overall, program expenses of the School District decreased significantly over the prior year in the amount of $2,900,365, most noticeably in vocational instruction. The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2018 and 2017. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3**
**Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Instruction | | | | |
| Regular | $97,049 | $261,794 | $73,106 | $240,735 |
| Special | 27,199 | 367,803 | (20,436) | 325,905 |
| Vocational | 1,461,248 | 3,270,925 | 767,651 | 2,645,428 |
| Adult/Continuing | 17,021 | 10,975 | 17,021 | 10,975 |
| Student Intervention Services | 19,779 | 111,105 | 19,779 | 111,105 |
| Support Services: | | | | |
| Pupil | 129,157 | 259,664 | 114,089 | 246,411 |
| Instructional Staff | 308,436 | 310,551 | 308,436 | 309,407 |
| Board of Education | 69,135 | 74,531 | 69,135 | 74,531 |
| Administration | 286,945 | 281,904 | 286,945 | 281,904 |
| Fiscal | 291,246 | 320,210 | 290,973 | 319,743 |
| Operation and Maintenance of Plant | 866,165 | 1,149,108 | 849,569 | 1,132,512 |
| Central | 67,074 | 87,008 | 52,738 | 72,449 |
| Operation of Non-Instructional Services | 7,515 | 5,320 | 7,515 | 5,320 |
| Food Service Operations | 179,249 | 215,155 | (7,730) | 31,444 |
| Interest and Fiscal Charges | 12,062 | 13,592 | 12,062 | 13,592 |
| ***Total Expenses*** | $3,839,280 | $6,739,645 | $2,840,853 | $5,821,461 |

For fiscal year 2018, the dependence upon tax revenues and state subsidies for governmental activities reflects approximately 74 percent of expenses. For fiscal year 2017, 86 percent of expenses were supported through taxes and other general revenues. This decrease in program expenses results from changes in assumptions and benefit terms related to pensions.

## The School District's Funds

Information about the School District's major funds starts on page 94. These funds are accounted for using the modified accrual basis of accounting. The School District has two major funds, the General Fund and the Permanent Improvement Capital Projects fund. The General Fund had $5,536,763 in revenues and $5,502,495 in expenditures, and the Permanent Improvement Fund had $549,123 in revenues and $784,384 in expenditures. Overall, including other financing uses, the General Fund's balance decreased $50,764, and the Permanent Improvement Fund's balance decreased $235,261.

### *General Fund Budgeting Highlights*

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

During the course of fiscal 2018 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and final appropriations reflect increases in almost all expenditure line-items. The most significant changes between original and final estimated revenues are reflected in property taxes and intergovernmental revenues. Both the final and actual revenues and expenditures reflect minimal differences.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of fiscal year 2018, the School District had $4,433,410 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 9 for more detailed information of the School District's capital assets.

### *Debt*

At June 30, 2018, the School District had $540,808 outstanding in 2010 Energy Conservation Qualified School Construction Bonds. See Note 14 for information regarding the School District's debt and other long-term obligations, including compensated absences, and net pension/OPEB liability.

## Economic Factors

**HB 264 Energy Conservation Project**:

In prior years, the Board of Education completed building improvements in conjunction with a House Bill 264 project. As part of the project, the School District received approval from the Ohio Department of Education to participate in the State Credit Enhancement Program, created under Ohio Revised Code Section 3317.18 for $1,078,690 of Qualified School Construction Bonds. These Energy Conservation Notes, Series 2010 have a fifteen year pay back schedule with a coupon rate of 2.170 percent. The project benefits, as estimated by Johnson Controls Inc., are expected to be $1,278,660 at the end of the fifteen year period and the total principal and interest payments are estimated to be $1,261,621 at the end of the fifteen year period.

**Modular Home Sales:**

The Board of Education determined that the Carpentry Class project would continue with modular home construction on site. A section of the parking lot has been gated off in order to accommodate the project.

Construction on the first modular began during fiscal year 2017 and was completed and sold during fiscal year 2018. The preferred method of sales is that we have a buyer under contract before the modular is constructed; however in the event we do not have a buyer under contract, the modular will be auctioned upon completion. Each modular home design is approved by the state and is subject to a permit. All transportation, site development, and any other additional costs are the responsibility of the buyer.

**Roof Project:**

Phase III, Part 2 of the roof project was completed during fiscal year 2018.

**Public Utility Tax Adjustments**

A portion of existing public utilities valuations increased, but the bulk of the increase is due to Texas Eastern Transmission LP (gas transmission line running through the county) being taxed for the first time. They have a taxable value of $80,500,000 in tax districts and Jefferson County Joint Vocational School

District is the receiving JVS (county wide valuation). First Energy filed an Impairment Tax Reduction which resulted in the reduction of public utility personal property assessed value from $446,986,050 (2016 tax year, collected in 2017) to $384,136,230 (2017 tax year, collected in 2018). First Energy (Sammis Plant) taxable value was reduced by $47,984,820. AEP Generation Resources (Cardinal Plan) taxable value was reduced by $22,210,890. Both plants affect the Jefferson County Joint Vocational School District as the School District is a county wide taxing district. First collections began in fiscal year 2018. The first full year of collections are forecasted for fiscal year 2019, which reflects an estimated loss is $162,000. News reports have been issued concerning the shutting down of the Sammis Plant (First Energy) and talks have been in the works for new gas/oil money to be generated by the Rover Pipeline from Washington County to Carroll County (Burgettstown Lateral-NG pipeline), however to date the School District has received no official confirmation of loss and\or gain.

**Areas of Interest affecting Public Utility Values:**

**Power Plants:**

| | | | | |
|---|---|---|---|---|
| Sammis Plant (First Energy) | Tax Year 17 | 45.8 million | Tax Year 18 | 45.6 million |
| Buckeye Power (Cardinal Plant) | Tax Year 17 | 90 million | Tax Year 18 | 87 million |

**Transmission Lines (Providers)**:

| | |
|---|---|
| American Transmission | Up 2 million |
| AEP Ohio | Up 8 million |
| Ohio Power | Up 6 million |

**Pipelines:**

| | |
|---|---|
| Texas Eastern | Up 14 million |
| Rover Pipeline | 51 million- (was not slated to be on the books until tax year 19 collected in 20, but now is on the books for tax year 18 collected in 19)-should be an increase of approximately $127,000 |

A third Pipeline is in the works (Buckeye Area), details are unknown at this time.

2018 is a re-valuation tax year with taxes collected in 2019. No significant changes are forecasted except for well production, which is unknown at this time.

** 70 million in public utility increases $175,000 for the Jefferson County Joint Vocational School District at 2.5 mills.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Karen Spoonemore, Treasurer/CFO at Jefferson County Joint Vocational School District, 1509 County Highway 22A, Bloomingdale, Ohio 43910.

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**Jefferson County Joint Vocational School District**
*Statement of Net Position*
*June 30, 2018*

| | Governmental Activities |
|---|---|
| **Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $1,291,968 |
| Accounts Receivable | 53,019 |
| Intergovernmental Receivable | 73,165 |
| Materials and Supplies Inventory | 10,378 |
| Property Taxes Receivable | 3,402,601 |
| Prepaid Items | 2,373 |
| Cash and Cash Equivalents with Fiscal Agents | 908,176 |
| Non-Depreciable Capital Assets | 87,522 |
| Depreciable Capital Assets, Net | 4,345,888 |
| *Total Assets* | 10,175,090 |
| **Deferred Outflows of Resources** | |
| Pension | 1,547,734 |
| OPEB | 51,349 |
| *Total Deferred Outflows of Resources* | 1,599,083 |
| **Liabilities** | |
| Accounts Payable | 63,675 |
| Accrued Wages and Benefits Payable | 375,496 |
| Intergovernmental Payable | 53,496 |
| Matured Severance Payable | 40,666 |
| Accrued Interest Payable | 3,376 |
| Claims Payable | 115,549 |
| Long-Term Liabilities: | |
| Due Within One Year | 106,599 |
| Due In More Than One Year: | |
| Net Pension Liability (See Note 11) | 5,166,293 |
| Net OPEB Liability (See Note 12) | 1,115,029 |
| Other Amounts Due in More Than One Year | 728,868 |
| *Total Liabilities* | 7,769,047 |
| **Deferred Inflows of Resources** | |
| Property Taxes | 3,073,092 |
| Pension | 407,484 |
| OPEB | 176,316 |
| *Total Deferred Inflows of Resources* | 3,656,892 |
| **Net Position** | |
| Net Investment in Capital Assets | 3,892,602 |
| Restricted for: | |
| Food Service Operations | 81,763 |
| State Programs | 5,244 |
| Federal Programs | 1,465 |
| Budget Stabilization | 17,604 |
| Other Purposes | 28,672 |
| Unrestricted (Deficit) | (3,679,116) |
| *Total Net Position* | $348,234 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Statement of Activities*
*For the Fiscal Year Ended June 30, 2018*

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| **Governmental Activities** | | | | |
| Instruction: | | | | |
| Regular | $97,049 | $0 | $23,943 | ($73,106) |
| Special | 27,199 | 0 | 47,635 | 20,436 |
| Vocational | 1,461,248 | 183,139 | 510,458 | (767,651) |
| Adult/Continuing | 17,021 | 0 | 0 | (17,021) |
| Student Intervention Services | 19,779 | 0 | 0 | (19,779) |
| Support Services: | | | | |
| Pupil | 129,157 | 0 | 15,068 | (114,089) |
| Instructional Staff | 308,436 | 0 | 0 | (308,436) |
| Board of Education | 69,135 | 0 | 0 | (69,135) |
| Administration | 286,945 | 0 | 0 | (286,945) |
| Fiscal | 291,246 | 0 | 273 | (290,973) |
| Operation and Maintenance of Plant | 866,165 | 0 | 16,596 | (849,569) |
| Central | 67,074 | 0 | 14,336 | (52,738) |
| Operation of Non-Instructional Services | 7,515 | 0 | 0 | (7,515) |
| Food Service Operations | 179,249 | 61,490 | 125,489 | 7,730 |
| Interest and Fiscal Charges | 12,062 | 0 | 0 | (12,062) |
| *Total Governmental Activities* | $3,839,280 | $244,629 | $753,798 | (2,840,853) |
| | | | | |
| | **General Revenues** | | | |
| | Property Taxes Levied for General Purposes | | | 2,454,069 |
| | Property Taxes Levied for Capital Projects | | | 534,701 |
| | Grants and Entitlements not Restricted to Specific Programs | | | 2,378,101 |
| | Gifts and Donations | | | 14,039 |
| | Investment Earnings | | | 14,003 |
| | Gas and Oil Lease Bonus | | | 83,370 |
| | Miscellaneous | | | 15,557 |
| | *Total General Revenues* | | | 5,493,840 |
| | Change in Net Position | | | 2,652,987 |
| | *Net Position (Deficit) Beginning of Year - Restated (Note 3)* | | | (2,304,753) |
| | *Net Position End of Year* | | | $348,234 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Balance Sheet*
*Governmental Funds*
*June 30, 2018*

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $919,076 | $242,989 | $111,874 | $1,273,939 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 18,029 | 0 | 0 | 18,029 |
| *Receivables:* | | | | |
| Property Taxes | 2,841,838 | 560,763 | 0 | 3,402,601 |
| Accounts | 52,000 | 0 | 0 | 52,000 |
| Intergovernmental | 13,197 | 0 | 59,968 | 73,165 |
| Interfund | 461,742 | 0 | 0 | 461,742 |
| Prepaid Items | 2,373 | 0 | 0 | 2,373 |
| Materials and Supplies Inventory | 0 | 0 | 10,378 | 10,378 |
| *Total Assets* | $4,308,255 | $803,752 | $182,220 | $5,294,227 |
| **Liabilities** | | | | |
| Accounts Payable | $36,063 | $27,612 | $0 | $63,675 |
| Accrued Wages and Benefits Payable | 364,906 | 0 | 10,590 | 375,496 |
| Interfund Payable | 0 | 410,927 | 50,815 | 461,742 |
| Matured Severance Payable | 40,666 | 0 | 0 | 40,666 |
| Intergovernmental Payable | 49,825 | 0 | 3,671 | 53,496 |
| *Total Liabilities* | 491,460 | 438,539 | 65,076 | 995,075 |
| **Deferred Inflows of Resources** | | | | |
| Property Taxes | 2,555,414 | 517,678 | 0 | 3,073,092 |
| Unavailable Revenue | 177,934 | 37,371 | 0 | 215,305 |
| *Total Deferred Inflows of Resources* | 2,733,348 | 555,049 | 0 | 3,288,397 |
| **Fund Balances** | | | | |
| Nonspendable: | | | | |
| Materials and Supplies Inventory | 0 | 0 | 10,378 | 10,378 |
| Prepaids | 2,373 | 0 | 0 | 2,373 |
| Unclaimed Monies | 425 | 0 | 0 | 425 |
| Restricted for: | | | | |
| Food Service Operations | 0 | 0 | 71,385 | 71,385 |
| Budget Stabilization | 17,604 | 0 | 0 | 17,604 |
| State Programs | 0 | 0 | 5,244 | 5,244 |
| Federal Programs | 0 | 0 | 1,465 | 1,465 |
| Other Purposes | | | 28,672 | 28,672 |
| Committed | 83,370 | 0 | 0 | 83,370 |
| Assigned to: | | | | |
| Purchases on Order | 45,065 | 0 | 0 | 45,065 |
| Unassigned | 934,610 | (189,836) | 0 | 744,774 |
| *Total Fund Balances* | 1,083,447 | (189,836) | 117,144 | 1,010,755 |
| *Total Liabilities, Deferred Inflows of Resources, and Fund Balances* | $4,308,255 | $803,752 | $182,220 | $5,294,227 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Reconciliation of Total Governmental Fund Balances*
*to Net Position of Governmental Activities*
*June 30, 2018*

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $1,010,755 |
| ***Amounts reported for governmental activities in the Statement of Net Position are different because*** | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 4,433,410 |
| Other long-term assets are not available to pay for current period expenditures and are therefore reported as deferred inflows of resources in the funds. | | |
| Property Taxes | | 215,305 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. | | 793,646 |
| In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | (3,376) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | 540,808 | |
| Compensated Absences | 294,659 | |
| Total | | (835,467) |
| The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds: | | |
| Deferred Outflows - Pension | 1,547,734 | |
| Deferred Inflows - Pension | (407,484) | |
| Net Pension Liability | (5,166,293) | |
| Deferred Outflows - OPEB | (176,316) | |
| Deferred Inflows - OPEB | 51,349 | |
| Net OPEB Liability | (1,115,029) | |
| Total | | (5,266,039) |
| *Net Position of Governmental Activities* | | $348,234 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**

*Statement of Revenues, Expenditures and Changes in Fund Balances*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2018*

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property Taxes | $2,440,025 | $531,742 | $0 | $2,971,767 |
| Intergovernmental | 2,805,462 | 17,381 | 317,791 | 3,140,634 |
| Interest | 421 | 0 | 0 | 421 |
| Tuition and Fees | 164,082 | 0 | 0 | 164,082 |
| Extracurricular Activities | 19,057 | 0 | 0 | 19,057 |
| Gifts and Donations | 8,789 | 0 | 5,250 | 14,039 |
| Charges for Services | 0 | 0 | 61,490 | 61,490 |
| Gas and Oil Lease Bonus | 83,370 | 0 | 0 | 83,370 |
| Miscellaneous | 15,557 | 0 | 0 | 15,557 |
| *Total Revenues* | 5,536,763 | 549,123 | 384,531 | 6,470,417 |
| **Expenditures** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 276,235 | 0 | 0 | 276,235 |
| Special | 315,093 | 0 | 0 | 315,093 |
| Vocational | 2,606,614 | 23,095 | 181,063 | 2,810,772 |
| Adult/Continuing | 17,021 | 0 | 0 | 17,021 |
| Student Intervention Services | 97,549 | 0 | 0 | 97,549 |
| Support Services: | | | | |
| Pupil | 224,268 | 0 | 0 | 224,268 |
| Instructional Staff | 316,147 | 0 | 0 | 316,147 |
| Board of Education | 69,135 | 0 | 0 | 69,135 |
| Administration | 288,689 | 0 | 0 | 288,689 |
| Fiscal | 322,393 | 12,321 | 0 | 334,714 |
| Operation and Maintenance of Plant | 905,988 | 748,968 | 0 | 1,654,956 |
| Central | 63,363 | 0 | 14,459 | 77,822 |
| Operation of Non-Instructional Services | 0 | 0 | 0 | 0 |
| Food Service Operations | 0 | 0 | 186,913 | 186,913 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 70,835 | 70,835 |
| Interest and Fiscal Charges | 0 | 0 | 12,504 | 12,504 |
| *Total Expenditures* | 5,502,495 | 784,384 | 465,774 | 6,752,653 |
| *Excess of Revenues Over (Under) Expenditures* | 34,268 | (235,261) | (81,243) | (282,236) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 0 | 0 | 85,032 | 85,032 |
| Transfers Out | (85,032) | 0 | 0 | (85,032) |
| Total Other Financing Sources (Uses) | (85,032) | 0 | 85,032 | 0 |
| *Net Change in Fund Balances* | (50,764) | (235,261) | 3,789 | (282,236) |
| *Fund Balances Beginning of Year* | 1,134,211 | 45,425 | 113,355 | 1,292,991 |
| *Fund Balances (Deficit) End of Year* | $1,083,447 | ($189,836) | $117,144 | $1,010,755 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**

*Reconciliation of the 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** | | ($282,236) |
| ***Amounts reported for governmental activities in the Statement of Activities are different because*** | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period. | | |
| Capital Asset Additions | 829,617 | |
| Depreciation | (307,056) | |
| Total | | 522,561 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds: | | |
| Property Taxes | 17,003 | |
| Intergovernmental | (8,735) | |
| Total | | 8,268 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| General Obligation Bonds | | 70,835 |
| Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the Statement of Activities. | | 442 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated Absences Payable | | 13,424 |
| Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. | | |
| Pension | | 361,441 |
| OPEB | | 11,234 |
| Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability are reported as pension/OPEB expense in the Statement of Activities. | | |
| Pension | | 1,742,944 |
| OPEB | | 200,150 |
| The internal service fund used by management to charge the costs of insurance to individual funds is included in the Statement of Activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities. | | 3,924 |
| *Change in Net Position of Governmental Activities* | | $2,652,987 |

See accompanying notes to the basic financial statements

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

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property Taxes | $2,554,581 | $2,713,693 | $2,712,967 | ($726) |
| Intergovernmental | 2,987,250 | 2,804,805 | 2,804,805 | 0 |
| Interest | 375 | 421 | 421 | 0 |
| Tuition and Fees | 118,579 | 164,082 | 164,082 | 0 |
| Extracurricular Activities | 16,089 | 19,057 | 19,057 | 0 |
| Gifts and Donations | 8,789 | 8,789 | 8,789 | 0 |
| Gas and Oil Lease Bonus | 83,370 | 83,370 | 83,370 | 0 |
| Miscellaneous | 9,336 | 14,830 | 15,557 | 727 |
| *Total Revenues* | 5,778,369 | 5,809,047 | 5,809,048 | 1 |
| **Expenditures** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 248,334 | 255,824 | 257,975 | (2,151) |
| Special | 312,316 | 313,963 | 313,506 | 457 |
| Vocational | 2,667,648 | 2,652,468 | 2,652,433 | 35 |
| Adult/Continuing | 17,480 | 17,480 | 17,479 | 1 |
| Student Intervention Services | 96,530 | 96,652 | 96,592 | 60 |
| Support Services: | | | | |
| Pupil | 217,825 | 238,314 | 237,990 | 324 |
| Instructional Staff | 319,032 | 319,643 | 319,644 | (1) |
| Board of Education | 71,162 | 71,284 | 71,066 | 218 |
| Administration | 292,515 | 293,126 | 292,957 | 169 |
| Fiscal | 336,371 | 340,675 | 339,672 | 1,003 |
| Operation and Maintenance of Plant | 910,882 | 923,881 | 923,882 | (1) |
| Central | 62,382 | 63,393 | 63,394 | (1) |
| Operation of Non-Instructional Services | 5,320 | 5,320 | 5,320 | 0 |
| *Total Expenditures* | 5,557,797 | 5,592,023 | 5,591,910 | 113 |
| Excess of Revenues Over Expenditures | 220,572 | 217,024 | 217,138 | 114 |
| **Other Financing Sources (Uses)** | | | | |
| Sale of Assets Held for Resale | 85,000 | 0 | 0 | 0 |
| Advances In | 111,065 | 350,878 | 272,541 | (78,337) |
| Advances Out | (129,152) | (129,152) | (50,815) | 78,337 |
| Transfers In | 329,458 | 405,506 | 0 | (405,506) |
| Transfers Out | (491,646) | (491,646) | (83,339) | 408,307 |
| Total Other Financing Sources (Uses) | (95,275) | 135,586 | 138,387 | 2,801 |
| *Net Change in Fund Balance* | 125,297 | 352,610 | 355,525 | 2,915 |
| *Fund Balance Beginning of Year* | 276,457 | 276,457 | 276,457 | 0 |
| Prior Year Encumbrances Appropriated | 198,427 | 198,427 | 198,427 | 0 |
| *Fund Balance End of Year* | $600,181 | $827,494 | $830,409 | $2,915 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2018*

| | Governmental Activity |
|---|---|
| | Internal Service Fund |
| **Current Assets** | |
| Cash and Cash Equivalents with Fiscal Agent | $908,176 |
| Accounts Receivable | 1,019 |
| *Total Assets* | $909,195 |
| **Current Liabilities** | |
| Claims Payable | 115,549 |
| **Net Position** | |
| Unrestricted | 793,646 |
| *Total Net Position* | $793,646 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Statement of Revenues, Expenses and Changes in Fund Net Position*
*Proprietary Fund*
*For the Fiscal Year Ended June 30, 2018*

| | Governmental Activity<br>Internal Service Fund |
|---|---|
| **Operating Revenues** | |
| Charges for Services | $840,390 |
| Other Operating Revenues | 9,621 |
| *Total Operating Revenues* | 850,011 |
| **Operating Expenses** | |
| Purchased Services | 207,926 |
| Claims | 651,743 |
| *Total Operating Expenses* | 859,669 |
| *Operating Loss* | (9,658) |
| **Non-Operating Revenues** | |
| Interest | 13,582 |
| *Change in Net Position* | 3,924 |
| *Net Position Beginning of Year* | 789,722 |
| *Net Position End of Year* | $793,646 |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Statement of Cash Flows*
*Proprietary Fund*
*For the Fiscal Year Ended June 30, 2018*

| | Governmental Activity Internal Service Fund |
|---|---|
| **Increase (Decrease) in Cash and Cash Equivalents** | |
| | |
| **Cash Flows from Operating Activities** | |
| Cash Received from Interfund Services | $840,390 |
| Cash Payments for Goods and Services | (207,926) |
| Cash Payments for Claims | (900,446) |
| Cash Received from Other Operating Revenue | 229,635 |
| | |
| *Net Cash Used for Operating Activities* | (38,347) |
| | |
| **Cash Flows from Investing Activities** | |
| Interest | 13,582 |
| | |
| *Net Cash Provided by Investing Activities* | 13,582 |
| | |
| *Net Decrease in Cash and Cash Equivalents* | (24,765) |
| | |
| *Cash and Cash Equivalents Beginning of Year* | 932,941 |
| | |
| *Cash and Cash Equivalents End of Year* | $908,176 |
| | |
| **Reconciliation of Operating Loss to Net Cash Used for Operating Activities** | |
| | |
| Operating Loss | ($9,658) |
| | |
| Decrease in Accounts Receivable | 46,839 |
| Decrease in Claims Payable | (75,528) |
| | |
| *Net Cash Used for Operating Activities* | ($38,347) |

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**
*Statement of Fiduciary Assets and Liabilities*
*Fiduciary Fund*
*June 30, 2018*

| | Agency |
|---|---|
| **Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $53,007 |
| *Total Assets* | $53,007 |
| **Liabilities** | |
| Due to Students | $53,007 |
| *Total Liabilities* | $53,007 |

See accompanying notes to the basic financial statements

## NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Jefferson County Joint Vocational School District is a joint vocational school district as defined by Section 3331.18 of the Ohio Revised Code and 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. A vocational school exposes students to job training leading to employment upon graduation from high school. The Jefferson County Joint Vocational School District includes five members' schools throughout Jefferson County and one member school from Carroll County.

The School District operates under a nine member Board of Education and is responsible for the provision of public education to residents of the school district. The Board of Education consists of three members of the Jefferson County Educational Resource Center, two members of the Steubenville City School District and one member of Toronto City, Indian Creek Local, Buckeye Local and Edison Local School Districts'.

The Jefferson County Board of Education was the sponsoring Board of Education initiating the Jefferson County Joint Vocational School District. The initial meeting of the Jefferson County Joint Vocational School District Board was held on May 6, 1970. Three levy attempts failed in 1970, 1971, and 1972. A special levy was placed on the ballot in July 1972 and passed.

Ground breaking occurred on January 26, 1974. September, 1975 the Jefferson County Joint Vocational School District opened with 375 students and 15 programs. The first senior class completed their programs in June of 1977. Currently, the School District is staffed by 5 administrative employees, 19 non-certificated employees and 29 certificated personnel who provide services to 300 students and other community members.

*Reporting Entity:*

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

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

The School District participated in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), and the Coalition of Rural and Appalachian Schools (CORAS), jointly governed organization, the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) and the Schools of Ohio Risk Sharing Authority (SORSA), insurance purchasing pools, and the Jefferson Health Plan Self-Insurance Plan, which is defined as a risk-sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 17 and 18.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Basis of Presentation

The School District’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business type activities. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses.

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

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

### B. Fund Accounting

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

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

> ***General Fund*** - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Permanent Improvement Fund –*** The Permanent Improvement Fund is used to account for a permanent improvement levy used to finance various capital projects at the School District.

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

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

> ***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug and dental claims.

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

## C. Measurement Focus

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resource measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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 School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 11 and Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow 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 School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 95. Net deferred inflows of resources related to pension and OPEB are reported on the government-wide Statement of Net Position. See Note 11 and Note 12 for more information.

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

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

**E. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

**F. Cash and Cash Equivalents**

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

During fiscal year 2018, the School District invested in STAROhio. STAROhio (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. STAROhio 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 School District measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAROhio reserves the right to limit the transaction to $100 million per day, 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 statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $421 which includes $88 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. The District had no investments meeting the above criteria.

**G. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the governmental funds represent unexpended revenues restricted for unclaimed monies and amounts required by State Statute to be set aside to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

**H. Assets Held for Resale**

As an integral part of the instructional laboratory experience for the Construction Trades programs, houses are constructed on the School District site for the purpose of being sold at public auction upon completion. Transactions are conducted through the School District's General Fund for reporting purposes.

During fiscal year 2017 and 2018 the School District constructed a modular home. During fiscal year 2018, the School District listed the sale of the modular home. The Board of Education approved the sale on July 3, 2018. At June 30, 2018, an accounts receivable in the amount of $52,000 was recorded.

**I. Prepaid Items**

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

**J. Inventory**

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

**K. Capital Assets**

The School District's only capital assets are general capital assets. These 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 retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School

District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land is 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:

| Description | Governmental Activities Estimated Lives |
|---|---|
| Land Improvements | 20 Years |
| Buildings and Improvements | 21-50 Years |
| Furniture and Equipment | 5-25 Years |
| Vehicles | 8 - 15 Years |

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position.

**M. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

**N. 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, and compensated absences, which 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 governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that the benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**O. Interfund Activity**

Transfers within governmental activities on the government-wide statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**P. Fund Balance**

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

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the 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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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. For fiscal year 2018, the School District has a committed fund balance in the amount of $83,370 for capital projects.

` ***Assigned:*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the School District Board of Education to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The amount assigned in the General Fund represents amounts for purchase on order.

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

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

## Q. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include local receipts restricted for student programs.

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

## R. Operating Revenues and Expenses

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

## S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

## T. Estimates

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

## U. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

## NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

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

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

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

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

| | |
|---|---|
| Net Position June 30, 2017 | ($853,373) |
| Adjustments: | |
| Net OPEB Liability | (1,458,845) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 7,465 |
| Restated Net Position June 30, 2017 | ($2,304,753) |

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

## NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or unassigned fund balance (GAAP basis).

4. Transfers in and transfers out that are balance sheet transactions (GAAP) as opposed to operating transfers (Budget), as well as the reclassification of revenue that is required to be transferred on a cash (budget basis), but is reported as revenue on the operating statement (GAAP basis).

5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance

| | General |
|---|---|
| GAAP Basis | ($50,764) |
| Revenue Accruals | 272,285 |
| Advances In | 272,541 |
| Expenditure Accruals | 17,281 |
| Transfers Out | 1,693 |
| Advance Out | (50,815) |
| Encumbrances | (106,696) |
| Budget Basis | $355,525 |

## NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAROhio); and

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

At June 30, 2018, the School District's internal service fund had a balance of $908,176 with Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 18). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

***Custodial credit risk*** for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, $603,204 of the School District's total bank balance of $1,456,409 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the School 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
>
> 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 rate set by the Treasurer of State.

Investments

As of June 30, 2018, the School District's only investment was in STAROhio. STAROhio is measured at net asset value per share. The value of the investments in STAROhio was $29,184 and the investment has an average maturity of 48.9 days.

Interest Rate Risk. The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

## NOTE 6 - PROPERTY TAXES

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

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

Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jefferson, Harrison, Carroll and Belmont Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property and public utility property taxes which were 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 of resources – property taxes.

The amount available as an advance at June 30, 2018, was $108,490 in the General Fund and $5,714 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2017 was $381,432 in the General Fund and $18,429 in the Permanent Improvement Capital Projects Fund.

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

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

| | 2017 Second Half Collections | | 2018 First Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential And Other Real Estate | $966,329,360 | 68.37% | $987,423,590 | 71.99% |
| Public Utility Personal | 446,986,050 | 31.63% | 384,136,320 | 28.01% |
| Total Assessed Values | $1,413,315,410 | 100.00% | $1,371,559,910 | 100.00% |
| Tax Rate per $1,000 of assessed valuation | $2.50 | | $2.50 | |

## NOTE 7 - RECEIVABLES

Receivables at June 30, 2018, consisted of property taxes, interfund, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of $215,305 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

| Governmental Activities | Amount |
|---|---|
| REAP Grant | $7,748 |
| Perkins Grant | 50,815 |
| Workers' Comp Rebate | 5,449 |
| Federal Lunch Grant | 9,153 |
| Total Intergovernmental Receivables | $73,165 |

## NOTE 8 - INTERNAL BALANCES AND TRANSFERS

Interfund balances at June 30, 2018 consisted of the following individual interfund receivables and payables:

| | Interfund Receivable General Fund |
|---|---|
| Interfund Payable | |
| Permanent Improvement | $410,927 |
| Other Nonmajor Governmental | 50,815 |
| Total Interfund Payable | $461,742 |

The loan made to the Permanent Improvement Capital Projects Fund was to move money for Phase III, Part 2 roof project. The loan made to the Perkins Grant Special Revenue Fund was to support the program until grant monies are received to operate the program.

Interfund transfers for the year ended June 30, 2018 consisted of the following:

| | Transfers To Other Non-major Governmental |
|---|---|
| Transfers from | |
| General Fund | $85,032 |

Transfers from the General Fund were used to provide revenue to the Debt Service Fund for scheduled debt service payments and to the Perkins Grant Fund to support the program.

## NOTE 9 - CAPITAL ASSETS

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

| | Balance 6/30/17 | Additions | Deletions | Balance 6/30/18 |
|---|---|---|---|---|
| Nondepreciable Capital Assets: | | | | |
| Land | $87,522 | $0 | $0 | $87,522 |
| Total Nondepreciable Capital Assets | 87,522 | 0 | 0 | 87,522 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 150,781 | 0 | 0 | 150,781 |
| Buildings and Improvements | 7,622,307 | 784,697 | 0 | 8,407,004 |
| Furniture and Equipment | 2,120,381 | 44,920 | 0 | 2,165,301 |
| Vehicles | 71,883 | 0 | 0 | 71,883 |
| Total Depreciable Capital Assets | 9,965,352 | 829,617 | 0 | 10,794,969 |
| Accumulated Depreciation: | | | | |
| Land Improvements | (83,681) | (9,622) | 0 | (93,303) |
| Buildings and Improvements | (4,305,631) | (218,376) | 0 | (4,524,007) |
| Furniture and Equipment | (1,711,384) | (76,402) | 0 | (1,787,786) |
| Vehicles | (41,329) | (2,656) | 0 | (43,985) |
| Total Accumulated Depreciation | (6,142,025) | (307,056) | 0 | (6,449,081) |
| Total Depreciable Capital Assets, Net | 3,823,327 | 522,561 | 0 | 4,345,888 |
| Governmental Capital Assets, Net | $3,910,849 | $522,561 | $0 | $4,433,410 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Instruction: | |
| Vocational | $268,409 |
| Support Services: | |
| Administration | 8,735 |
| Fiscal | 2,184 |
| Operation of Maintenance and Plant | 23,360 |
| Food Service Operations | 4,368 |
| Total Depreciation Expense | $307,056 |

## NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018 the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 18) for property, general liability, and auto insurance. Coverages provided are as follows:

### A. Property and Liability

| | |
|---|---|
| *Property - Including Inland Marine and Miscellaneous Equipment:* | |
| Building and Contents-replacement cost (no deductible) | $25,196,690 |
| *Crime Cover:* | |
| Employee Dishonesty | $1,000,000 |
| Forgery | $1,000,000 |
| Computer Fraud | $1,000,000 |
| Theft, Disappearance, and Destruction | $1,000,000 |
| *General Liability:* | |
| Each Occurance | 15,000,000 |
| Aggregated Limit | 17,000,000 |
| *Automobile Liability:* | |
| Owned/Leased Vehicles | 15,000,000 |
| Medical Payments - Occurance | 10,000 |
| Medical Payments - Aggregate | 25,000 |
| Uninsured Motorist - Aggregate | 1,000,000 |

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

### B._Worker's Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

### C. Employee Benefits

Medical/surgical, prescription drug, life and dental insurance are offered to employees through a self-insurance internal service fund. The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical/prescription drug coverage is based on a usual, customary, and reasonable claim plan. The Board's share of the premiums for this coverage is $1,386.95 for individual coverage per month and $2,757.32 for family coverage per month which represents 95 percent of the total premium for the certified staff and 95 percent of the total premium for the classified staff. The premium is paid from the fund that pays the salary of the covered employee Premiums for the dental coverage are $102.75 per month for family coverage and $46.38 per month for single coverage for all staff the Board's share of dental coverage premiums are 95 percent for the certified staff and 95 percent for the classified staff.

The claims liability of $115,549 reported in the Internal Service Fund at June 30, 2018 is based on an estimate calculated by averaging the past three fiscal years claims payable amounts and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

| Program | Beginning Balance | Current Year Claims | | Claims Payments | | Ending Balance |
|---|---|---|---|---|---|---|
| Self Insurance - Health | | | | | | |
| 2017 | $106,793 | $1,034,046 | | $949,762 | | $191,077 |
| 2018 | 191,077 | 652,762 | (1) | 728,290 | (2) | 115,549 |

| | | |
|---|---|---|
| (1) Claims Expense | $651,743 | |
| +Stop Loss Receivable | 1,019 | |
| Current Year Claims | $652,762 | |
| (2) Cash Payments for Claims | | $900,446 |
| - Stop Loss Received for 2017 Claims | | (172,156) |
| Claims Payments | | $728,290 |

## NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

### *Net Pension Liability*

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was $79,828 for fiscal year 2018. Of this amount $0 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $281,613 for fiscal year 2018. Of this amount $38,033 is reported as an intergovernmental payable.

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

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability Prior Measurement Date | 0.01682840% | 0.01834929% | |
| Proportion of the Net Pension Liability Current Measurement Date | 0.01565330% | 0.01781101% | |
| Change in Proportionate Share | -0.00117510% | -0.00053828% | |
| Proportionate Share of the Net Pension Liability | $935,249 | $4,231,044 | $5,166,293 |
| Pension Expense | ($59,660) | ($1,683,284) | ($1,742,944) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $40,250 | $163,383 | $203,633 |
| Changes of assumptions | 48,362 | 925,376 | 973,738 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 3,828 | 5,094 | 8,922 |
| School District contributions subsequent to the measurement date | 79,828 | 281,613 | 361,441 |
| Total Deferred Outflows of Resources | $172,268 | $1,375,466 | $1,547,734 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $0 | $34,101 | $34,101 |
| Net difference between projected and actual earnings on pension plan investments | 4,439 | 139,629 | 144,068 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | 62,835 | 166,480 | 229,315 |
| Total Deferred Inflows of Resources | $67,274 | $340,210 | $407,484 |

$361,441 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | SERS | STRS | Total |
|---|---|---|---|
| 2019 | $11,512 | $140,831 | $152,343 |
| 2020 | 36,492 | 330,775 | 367,267 |
| 2021 | (1,036) | 240,069 | 239,033 |
| 2022 | (21,802) | 41,968 | 20,166 |
| Total | $25,166 | $753,643 | $778,809 |

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

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

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

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $1,297,884 | $935,249 | $631,470 |

***Actuarial Assumptions - STRS***

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

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

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

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

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

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

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

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

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

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $6,065,057 | $4,231,044 | $2,686,162 |

***Social Security System***

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

## NOTE 12 – DEFINED BENEFIT OPEB PLAN

See Note 11 for a description of the net OPEB liability.

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $8,277.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $11,234 for fiscal year 2018. Of this amount $8,277 is reported as an intergovernmental 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.

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

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net OPEB Liability Prior Measurement Date | 0.01675290% | 0.01834929% | |
| Proportion of the Net OPEB Liability Current Measurement Date | 0.01565390% | 0.01781101% | |
| Change in Proportionate Share | -0.00109900% | -0.00053828% | |
| Proportionate Share of the Net OPEB Liability | $420,110 | $694,919 | $1,115,029 |
| OPEB Expense | $16,015 | ($216,165) | ($200,150) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $0 | $40,115 | $40,115 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 0 | 0 | 0 |
| School District contributions subsequent to the measurement date | 11,234 | 0 | 11,234 |
| Total Deferred Outflows of Resources | $11,234 | $40,115 | $51,349 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $0 | $0 | $0 |
| Changes of assumptions | 39,866 | 55,978 | 95,844 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,109 | 29,703 | 30,812 |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | 24,985 | 24,675 | 49,660 |
| Total Deferred Inflows of Resources | $65,960 | $110,356 | $176,316 |

$11,234 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30: | SERS | STRS | Total |
|---|---|---|---|
| 2019 | ($23,775) | ($14,182) | ($37,957) |
| 2020 | (23,775) | (14,182) | (37,957) |
| 2021 | (18,134) | (14,182) | (32,316) |
| 2022 | (276) | (14,183) | (14,459) |
| 2023 | 0 | (6,757) | (6,757) |
| 2024 | 0 | (6,755) | (6,755) |
| Total | ($65,960) | ($70,241) | ($136,201) |

### *Actuarial Assumptions - SERS*

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

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

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

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

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

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $507,336 | $420,110 | $351,004 |

| | 1% Decrease (6.5% decreasing to 4.0%) | Current Trend Rate (7.5% decreasing to 5.0%) | 1% Increase (8.5% decreasing to 6.0%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $340,887 | $420,110 | $524,961 |

***Actuarial Assumptions – STRS***

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

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

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

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

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $932,919 | $694,919 | $506,823 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $482,801 | $694,919 | $974,094 |

## NOTE 13 - OTHER EMPLOYEE BENEFITS

### A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees who work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

### B. Other Insurance Benefits

The Board pays 100 percent of the premiums for life and vision coverage. Life insurance is provided through MetLife. Coverage is in the amount of $45,000 for all certified teachers and classified employees at a total monthly premium of $6.17 and coverage of $50,000 for administrators at a total monthly premium of $7.25. The School District provides vision insurance through Vision Service Plan at a cost of $9.18 for single coverage and $20.53 for family coverage per month.

## NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

| | Outstanding 6/30/17 | Additions | Deductions | Outstanding 6/30/18 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| ***2010 Energy Conservation Qualified School Construction Bonds:*** | | | | | |
| Serial Bonds, $1,078,690 @ 2.170% | $611,643 | $0 | $70,835 | $540,808 | $72,373 |
| Total General Obligation Bonds | 611,643 | 0 | 70,835 | 540,808 | 72,373 |
| Compensated Absences | 308,083 | 61,903 | 75,327 | 294,659 | 34,226 |
| *Other Long-Tem Obligations* | | | | | |
| Net Pension Liability * | | | | | |
| STRS | 6,142,060 | 0 | 1,911,016 | 4,231,044 | 0 |
| SERS | 1,231,684 | 0 | 296,435 | 935,249 | 0 |
| Total Net Pension Liability | 7,373,744 | 0 | 2,207,451 | 5,166,293 | 0 |
| Net OPEB Liability ** | | | | | |
| STRS | 981,325 | 0 | 286,406 | 694,919 | 0 |
| SERS | 477,520 | 0 | 57,410 | 420,110 | 0 |
| Total Net OPEB Liability | 1,458,845 | 0 | 343,816 | 1,115,029 | 0 |
| Total Long-Term Obligations | $9,752,315 | $61,903 | $2,697,429 | $7,116,789 | $106,599 |

* For additional information related to the net pension liability, See Note 11
** For additional information related to the net OPEB liability, See Note 12

*2010 Energy Conservation Qualified School Construction Bonds* – On March 17, 2010, Jefferson County Joint Vocational School District issued $1,078,690 of general obligation bonds, in accordance with the American Recovery and Reinvestment Act (ARRA) of 2009 and House Bill 264. The bonds were issued to finance an energy conservation project. The bonds were issued at a 2.170 percent interest rate, for a period of fifteen years with a final maturity at September 15, 2024.

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA/Negative from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and Interest requirements to retire the remaining outstanding qualified school construction bonds for the 2010 Energy Conservation Bonds outstanding at June 30, 2018 are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $72,373 | $10,951 | $83,324 |
| 2020 | 73,943 | 9,363 | 83,306 |
| 2021 | 75,548 | 7,741 | 83,289 |
| 2022 | 77,187 | 6,084 | 83,271 |
| 2023 | 78,862 | 4,390 | 83,252 |
| 2024-2025 | 162,895 | 3,552 | 166,447 |
| Total | $540,808 | $42,081 | $582,889 |

The School District's voted legal debt margin was $122,899,584 with an unvoted debt margin of $1,371,560, at June 30, 2018.

Compensated absences will be paid from the General Fund.

Net Pension/OPEB Liability – There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the following funds the General Fund, the Food Service and Perkins Grant Special Revenue Funds. For additional information related to the net pension liability, See Note 11 and 12.

## NOTE 15 – FUND DEFICIT

At June 30 2018, the Permanent Improvement fund had a deficit fund balance of $189,836. The deficit was created by the application of generally accepted accounting principles.

## NOTE 16 - COMMITMENTS

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

| | |
|---|---|
| Major Funds: | |
| General | $106,696 |
| Permanent Improvement | 110,501 |
| Other Non-major Governmental Funds | 13,809 |
| Total | $231,006 |

## NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. The School District did not participate in the natural gas sales service program. During fiscal year 2018, the total amount paid to OME-RESA from the School District was $10,609 for technology services and $8,332 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including approximately 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was $325 for fiscal year 2018.

## NOTE 18 - PUBLIC ENTITY POOLS

### A. Insurance Purchasing Pools

*Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee of $255 for policy year 2018 was paid to CompManagement, Inc.

*Schools of Ohio Risk Sharing Authority (SORSA)* – The School District participates in the Schools of Ohio Risk Sharing Authority, a protected self-insurance purchasing pool under the authority of Ohio Revised Code 2744. One hundred eight school districts, educational service centers and joint vocational school districts participate in the SORSA. SORSA is governed by a board of trustees elected by members. Member school districts agree to jointly participated in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public official's errors and omissions liability insurance.

**B. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool**

*The Jefferson Health Plan Self-Insurance Plan* – The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from $35,000 to $150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and $500,000, and all claims between the deductible and the $500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding $500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

## NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District's General Fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2004, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statue.

The following cash basis information describes the change in the year-end set-aside amounts for capital improvements, and budget stabilization. Disclosure of this information is required by State Statute.

| | Capital Improvements | Budget Stabilization |
|---|---|---|
| Set-aside Restricted Balance as of June 30, 2017 | $0 | $17,604 |
| Current Year Set-aside Requirement | 54,572 | 0 |
| Current Year Offsets | (561,839) | 0 |
| Totals | ($507,267) | $17,604 |
| Balance Carried Forward to Fiscal Year 2019 | $0 | $17,604 |
| Set-aside Restricted Balance as of June 30, 2018 | $0 | $17,604 |

The School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years. The School District also had prior year capital expenditures from note and bond proceeds that may be carried forward to offset future set-aside requirements, if needed. The total restricted balance for the set-asides at the end of the fiscal year was $17,604.

## NOTE 20 - CONTINGENCIES

### A. Grants

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

### B. Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 were finalized which did not result in a significant receivable or liability of the School District.

### C. Litigation

The School District is currently not a party to any pending litigation.

### D. Paid Up Oil and Gas Lease

The Board of Education entered into a “Paid-Up” Oil and Gas Lease effective October 12, 2011 and continuing for a period of five years with Hess Ohio Resources, LLC. In consideration of the execution of the lease, the School District received a bonus of $445,540 during fiscal year 2012. On September 20, 2016, The Board of Education approved an addendum to the oil and gas lease agreement with Ascent Resources – Utica, LLC, previously, Hess Ohio Resources. The oil and gas lease has been amended to extend the lease period from October 12, 2011 to October 11, 2019. The amendment calls for a bonus payment of $285,585 tendered in three payments as follows: $118,846 within ninety days of receipt of order of payment, received December 21, 2016; $83,369 on or before October 11, 2017, received September 27, 2017: and $83,370 on or before October 11, 2018, received October 22, 2018.

The School District has a total of 88.691 acres subject to the lease provisions which call for payments or royalties to the School District (Lessor), in addition to the bonus. The royalties will be 18.75 percent of the gross price paid to Ascent Resources – Utica, LLC (Lessee) for such gas oil, and other hydrocarbons so produced and marketed from the leased premises. The total carrying value of the land leased is $87,522. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

## NOTE 21 – SUBSEQUENT EVENT DISCLOSURE

*Oil and Gas Lease* – On October 22, 2018, the School District received $83,370 which represents the third and final payment of the signing bonus for the "Paid-Up" Oil and Gas Lease with Ascent Resources – Utica, LLC, which was effective September 20, 2016. See Contingency Note 20 for further details.

*Tax Levy* – On June 18, 2019, the Board of Education passed a resolution to place a 1 mill, 7 year, tax renewal levy on the November 5, 2019 ballot. The levy passed.

*Oil and Gas Lease* – On October 16, 2019, the School District received $83,370 which represents the first extension payment of the signing bonus for the "Paid-Up" Oil and Gas Lease with Ascent Resources – Utica, LLC, which was effective September 20, 2016. See Contingency Note 19 for further details.

# Required

# Supplementary

# Information

**Jefferson County Joint Vocational School District**
*Required Supplementary Information*
*Schedule of the School District's Proportionate Share of the Net Pension Liability*
*School Employees Retirement System of Ohio*
*Last Five Fiscal Years (1)**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| School District's Proportion of the Net Pension Liability | 0.01565330% | 0.01682840% | 0.01668270% | 0.01718500% | 0.01718500% |
| School District's Proportionate Share of the Net Pension Liability | $935,249 | $1,231,684 | $951,931 | $869,723 | $1,021,937 |
| School District's Covered Payroll | $503,786 | $523,329 | $504,173 | $500,996 | $476,847 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 185.64% | 235.36% | 188.81% | 173.60% | 214.31% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

(1) Although this schedule is intended to reflect information for ten years, the information prior to 2014 is not available.

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

See accompanying notes to required supplementary information

**Jefferson County Joint Vocational School District**

*Required Supplementary Information*

*Schedule of the School District's Proportionate Share of the Net OPEB Liability*

*School Employees Retirement System of Ohio*

*Last Two Fiscal Years (1) **

| | 2018 | 2017 |
|---|---|---|
| School District's Proportion of the Net OPEB Liability | 0.01565390% | 0.01675290% |
| School District's Proportionate Share of the Net OPEB Liability | $420,110 | $477,520 |
| School District's Covered Payroll | $503,786 | $523,329 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 83.39% | 91.25% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 12.46% | 11.49% |

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| School District's Proportion of the Net Pension Liability | 0.01781101% | 0.01834929% | 0.01829970% | 0.01863591% | 0.01863591% |
| School District's Proportionate Share of the Net Pension Liability | $4,231,044 | $6,142,060 | $5,057,503 | $4,532,899 | $5,399,559 |
| School District's Covered Payroll | $1,960,729 | $1,927,729 | $1,940,271 | $1,900,638 | $1,893,638 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 215.79% | 318.62% | 260.66% | 238.49% | 285.14% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**Jefferson County Joint Vocational School District**
*Required Supplementary Information*
*Schedule of the School District's Proportionate Share of the Net Pension OPEB Liability*
*State Teachers Retirement System of Ohio*
*Last Two Fiscal Years (1) **

| | 2018 | 2017 |
|---|---|---|
| School District's Proportion of the Net OPEB Liability | 0.01781101% | 0.01834929% |
| School District's Proportionate Share of the Net OPEB Liability | $694,919 | $981,325 |
| School District's Covered Payroll | $1,960,729 | $1,927,607 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 35.44% | 50.91% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 47.10% | 37.30% |

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**Jefferson County Joint Vocational School District**

*Required Supplementary Information*

*Schedule of School District Contributions*

*School Employees Retirement System of Ohio*

*Last Ten Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Net Pension Liability** | | | | |
| Contractually Required Contribution | $79,828 | $70,530 | $73,266 | $66,450 |
| Contributions in Relation to the Contractually Required Contribution | (79,828) | (70,530) | (73,266) | (66,450) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| School District Covered Payroll (1) | $591,319 | $503,786 | $523,329 | $504,173 |
| Contributions as a Percentage of Covered Payroll | 13.50% | 14.00% | 14.00% | 13.18% |
| **Net OPEB Liability** | | | | |
| Contractually Required Contribution (2) | $11,234 | $7,465 | $7,186 | $11,479 |
| Contributions in Relation to the Contractually Required Contribution | ($11,234) | ($7,465) | ($7,186) | ($11,479) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| OPEB Contributions as a Percentage of Covered Payroll | 1.90% | 1.48% | 1.37% | 2.28% |
| Total Contributions as a Percentage of Covered Payroll (2) | 15.40% | 15.48% | 15.37% | 15.46% |

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information.

| | | | | | |
|---|---|---|---|---|---|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| $69,438 | $65,996 | $63,589 | $62,752 | $61,279 | $46,375 |
| (69,438) | (65,996) | (63,589) | (62,752) | (61,279) | (46,375) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $500,996 | $476,847 | $472,780 | $499,221 | $452,574 | $471,278 |
| 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% |
| $7,957 | $7,591 | $8,264 | $13,044 | $9,024 | $26,435 |
| ($7,957) | ($7,591) | ($8,264) | ($13,044) | ($9,024) | ($26,435) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| 1.59% | 1.59% | 1.75% | 2.61% | 1.99% | 5.61% |
| 15.45% | 15.43% | 15.20% | 15.18% | 15.53% | 15.45% |

**Jefferson County Joint Vocational School District**
*Required Supplementary Information*
*Schedule of School District Contributions*
*State Teachers Retirement System of Ohio*
*Last Ten Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Net Pension Liability** | | | | |
| Contractually Required Contribution | $281,613 | $274,502 | $269,865 | $271,638 |
| Contributions in Relation to the Contractually Required Contribution | (281,613) | (274,502) | (269,865) | (271,638) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| School District Covered Payroll (1) | $2,011,521 | $1,960,729 | $1,927,607 | $1,940,271 |
| Pension Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% |
| **Net OPEB Liability** | | | | |
| Contractually Required Contribution | $0 | $0 | $0 | $0 |
| Contributions in Relation to the Contractually Required Contribution | 0 | 0 | 0 | 0 |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| OPEB Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% |

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

See accompanying notes to the required supplementary information.

| | | | | | |
|---|---|---|---|---|---|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| $247,089 | $246,173 | $265,545 | $287,921 | $280,017 | $275,466 |
| (247,089) | (246,173) | (265,545) | (287,921) | (280,017) | (275,466) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $1,900,685 | $1,893,638 | $2,042,651 | $2,214,776 | $2,153,669 | $2,118,969 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |
| $19,007 | $18,936 | $20,427 | $22,148 | $21,537 | $21,190 |
| (19,007) | (18,936) | (20,427) | (22,148) | (21,537) | (21,190) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

## Net Pension Liability

### Changes in Assumptions – SERS

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

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

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

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

### Changes in Assumptions - STRS

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

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

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

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

**Net OPEB Liability**

**Changes in Assumptions – SERS**

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

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

**Changes in Assumptions – STRS**

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

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

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OHIO AUDITOR OF STATE
KEITH FABER

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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*

Jefferson County Joint Vocational School District
Jefferson County
1509 County Highway 22A
Bloomingdale, Ohio 43910

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 Jefferson County Joint Vocational School District, Jefferson County, (the School District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 26, 2020, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions for the year ended June 30, 2018.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

March 26, 2020

OHIO AUDITOR OF STATE
KEITH FABER

**JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**MAY 7, 2020**