



BLOOM-VERNON LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2017

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Board of Education
Bloom Vernon Local School District
10529 Main Street
South Webster, Ohio 45682

We have reviewed the *Independent Auditor's Report* of the Bloom Vernon Local School District, Scioto County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 25, 2018

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Independent Auditor's Report

Board of Education
Bloom-Vernon Local School District
P.O. Box 237
South Webster, OH 45682

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Bloom-Vernon Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2017, and 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' *Governmental 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 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, the major fund, and the aggregate remaining fund information of the Bloom-Vernon Local School District, Scioto County, Ohio as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4-11 and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

Supplementary and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2017, 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

November 22, 2017

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

As management of the Bloom-Vernon Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In fiscal year 2017, the School District's Net Position increased \$557,871.
- The School District received more State foundation revenue that resulted from a change in the funding.

Using the Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Bloom-Vernon Local School District as a financial whole, an entire operating entity.

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

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statements of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

These two statements report the School District's net position and changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page eight. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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 government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statements of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund – The School District's only fiduciary fund is an agency fund. We exclude this activity from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in this fund are used for its intended purpose. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

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 2017 and 2016:

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

(Table 1)
Net Position

	Governmental Activities		Increase/ (Decrease)
	2017	2016	
Assets:			
Current Assets	\$8,320,412	\$7,110,863	\$1,209,549
Capital Assets, Net	13,767,143	14,023,590	(256,447)
Total Assets	<u>22,087,555</u>	<u>21,134,453</u>	<u>953,102</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	1,785	2,380	(595)
Pension	2,813,961	1,367,014	1,446,947
Total Deferred Outflows of Resources	<u>2,815,746</u>	<u>1,369,394</u>	<u>1,446,352</u>
Liabilities:			
Other Liabilities	1,133,292	1,018,859	114,433
Long-Term Liabilities:			
Due Within One Year	102,092	153,644	(51,552)
Due in More than One Year:			
Net Pension Liability	14,774,448	12,343,925	2,430,523
Other Amounts	962,929	961,435	1,494
Total Liabilities	<u>16,972,761</u>	<u>14,477,863</u>	<u>2,494,898</u>
Deferred Inflows of Resources:			
Property Taxes	1,307,309	1,321,771	(14,462)
Pension	509,128	1,147,981	(638,853)
Total Deferred Inflows of Resources	<u>1,816,437</u>	<u>2,469,752</u>	<u>(653,315)</u>
Net Position:			
Net Investment in Capital Assets	13,345,282	13,495,032	(149,750)
Restricted	954,263	867,185	87,078
Unrestricted	(8,185,442)	(8,805,985)	620,543
Total Net Position	<u>\$6,114,103</u>	<u>\$5,556,232</u>	<u>\$557,871</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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

Total assets increased \$953,102. The majority of this increase resulted from an increase in current assets. This was a result of an increase in State foundation revenues due to a change in the funding formula.

Total liabilities increased \$2,494,898. Long-term liabilities increased mainly due to an increase in the net pension liability.

Total net position increased \$557,871. Unrestricted net position accounted for the majority share of the net position increase due to an increase in cash and cash equivalents, from the change in foundation funding.

Table 2 shows the highlights of the School District's revenues and expenses for fiscal years 2017 and 2016. These two main components are subtracted to yield the change in net position. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales and operating grants, contributions, and interest. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions and donations, interest and miscellaneous revenues.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

(Table 2)
Change in Net Position

	Governmental Activities		Increase
	2017	2016	(Decrease)
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$1,397,061	\$1,366,646	\$30,415
Operating Grants, Contributions and Interest	1,726,155	1,732,542	(6,387)
Total Program Revenues	<u>\$3,123,216</u>	<u>\$3,099,188</u>	<u>\$24,028</u>

(continued)

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

(Table 2)

Change in Net Position

	Governmental Activities		Increase
	2017	2016	(Decrease)
General Revenues:			
Property Taxes	\$1,470,247	\$1,368,184	\$102,063
Grants and Entitlements not Restricted to Specific Programs	8,475,929	7,968,543	507,386
Contributions and Donations	11,000	20	10,980
Interest	1,979	4,146	(2,167)
Miscellaneous	110,618	129,898	(19,280)
Total General Revenues	10,069,773	9,470,791	598,982
Total Revenues	13,192,989	12,569,979	623,010
Program Expenses:			
Instruction:			
Regular	5,809,859	5,385,565	424,294
Special	1,595,119	1,457,465	137,654
Vocational	0	70	(70)
Student Intervention Services	6,637	14,442	(7,805)
Support Services:			
Pupils	417,917	295,821	122,096
Instructional Staff	396,807	445,670	(48,863)
Board of Education	33,462	32,974	488
Administration	885,009	812,883	72,126
Fiscal	266,153	250,388	15,765
Business	22,711	32,994	(10,283)
Operation and Maintenance of Plant	1,141,775	939,303	202,472
Pupil Transportation	1,161,480	856,478	305,002
Central	12,368	4,182	8,186
Operation of Non-Instructional Services:			
Food Service Operations	592,975	581,036	11,939
Extracurricular Activities	272,236	200,177	72,059
Interest and Fiscal Charges	20,610	25,316	(4,706)
Total Expenses	12,635,118	11,334,764	1,300,354
Increase in Net Position	557,871	1,235,215	(677,344)
Net Position at Beginning of Year	5,556,232	4,321,017	1,235,215
Net Position at End of Year	\$6,114,103	\$5,556,232	\$557,871

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Governmental Activities

General revenues reflect an increase in the amount of \$598,982 from fiscal year 2016 to fiscal year 2017. The most significant increase was in grants and entitlements not restricted to specific programs. This increase was a direct result of an increase in State foundation revenue resulting from a change in the school funding calculation.

Expenditures for the School District increased \$1,300,354. There were a couple factors that lead to this increase. The School District did have a 2% base salary increase which lead to the increase in regular and special instruction. The School District also paid off their operating lease with Energy Optimizers which resulted in an increase to Operation and Maintenance of Plant.

The School District's Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,089,434 and expenditures of \$12,051,931.

General Fund

The net change in fund balance for the fiscal year in the General Fund was an increase of \$979,235 which was significant. The increase was mainly due to an increase in State foundation revenues resulting from a change in the school funding calculation.

General Fund - Budget 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 2017, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. The General Fund had original revenue budget estimates of \$11,345,261. The original budget estimates were increased to a final budget amount of \$11,609,280 for the fiscal year. The majority of this increase was in intergovernmental revenues and was primarily related to an increase in State foundation. There was no difference in actual receipts from the final budget because the final amended certificate of estimated resources reflected actual revenue for the fiscal year-end in all funds.

The total decrease in expenditures from the original to the final budget was \$184,025 which is insignificant. There was no difference in actual expenditures made from the final budget because, prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

The School District's ending General Fund balance was \$5,322,271.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$13,767,143 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and textbooks.

See Note 9 of the notes to the basic financial statements for more detailed information.

Debt

At June 30, 2017, the School District had \$415,000 in bonds outstanding.

(Table 3)
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2017	2016
1998 School Improvement Bonds	\$0	\$50,000
2010 School Energy Conservation Bonds	200,000	250,000
2012 Refunding Bonds	215,000	220,000
Totals	<u>\$415,000</u>	<u>\$520,000</u>

See Note 15 of the notes to the basic financial statements for more detailed information regarding the School District's long-term obligations.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Ty Roberts, Treasurer at Bloom-Vernon Local School District, P.O. Box 237, South Webster, Ohio 45682, or email ty.roberts@mail.bv.k12.oh.us.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2017

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,353,832
Materials and Supplies Inventory	6,216
Inventory Held for Resale	7,342
Accounts Receivable	28,195
Intergovernmental Receivable	202,075
Prepaid Items	21,212
Property Taxes Receivable	1,701,540
Capital Assets:	
Land and Construction in Progress	269,130
Depreciable Capital Assets, Net	13,498,013
<i>Total Assets</i>	<u>22,087,555</u>
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding Pension	1,785
	<u>2,813,961</u>
<i>Total Deferred Outflows of Resources</i>	<u>2,815,746</u>
<u>Liabilities:</u>	
Accounts Payable	47,202
Accrued Wages and Benefits Payable	889,312
Intergovernmental Payable	126,059
Accrued Interest Payable	550
Accrued Vacation Leave Payable	70,169
Long-Term Liabilities:	
Due Within One Year	102,092
Due in More Than One Year:	
Net Pension Liability	14,774,448
Other Amounts	962,929
<i>Total Liabilities</i>	<u>16,972,761</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes	1,307,309
Pension	509,128
<i>Total Deferred Inflows of Resources</i>	<u>1,816,437</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	13,345,282
Restricted for Debt Service	267,170
Restricted for Capital Projects	306,131
Restricted for Other Purposes:	
Local Funds	5,829
Classroom Facilities	195,738
Athletics	61,997
State and Federal Grants	117,398
Unrestricted (Deficit)	<u>(8,185,442)</u>
<i>Total Net Position</i>	<u><u>\$6,114,103</u></u>

See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Total Governmental Activities
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$5,809,859	\$1,049,169	\$249,483
Special	1,595,119	151,432	1,000,903
Vocational	0	0	21,116
Student Intervention Services	6,637	0	0
Support Services:			
Pupils	417,917	12,237	1,018
Instructional Staff	396,807	0	10,190
Board of Education	33,462	0	0
Administration	885,009	0	15,345
Fiscal	266,153	0	0
Business	22,711	0	0
Operation and Maintenance of Plant	1,141,775	0	0
Pupil Transportation	1,161,480	0	47,068
Central	12,368	0	0
Operation of Non-Instructional Services:			
Food Service Operations	592,975	136,846	381,032
Extracurricular Activities	272,236	47,377	0
Interest and Fiscal Charges	20,610	0	0
Total Governmental Activities	\$12,635,118	\$1,397,061	\$1,726,155
			(9,511,902)
<u>General Revenues:</u>			
Property Taxes Levied for:			
General Purposes			1,341,758
Debt Service			37,134
Capital Outlay			66,797
Facility Maintenance			24,558
Grants and Entitlements not Restricted to Specific Programs			8,475,929
Contributions and Donations			11,000
Interest			1,979
Miscellaneous			110,618
Total General Revenues			10,069,773
Change in Net Position			557,871
Net Position at Beginning of Year			5,556,232
Net Position at End of Year			\$6,114,103

See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$5,519,322	\$831,482	\$6,350,804
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	3,028	0	3,028
Receivables:			
Accounts	27,409	786	28,195
Property Taxes	1,531,171	170,369	1,701,540
Intergovernmental	12,499	189,576	202,075
Interfund	7,635	0	7,635
Prepaid Items	16,863	4,349	21,212
Materials and Supplies Inventory	5,926	290	6,216
Inventory Held for Resale	0	7,342	7,342
<i>Total Assets</i>	<u>\$7,123,853</u>	<u>\$1,204,194</u>	<u>\$8,328,047</u>
<u>Liabilities:</u>			
Accounts Payable	\$47,202	\$0	\$47,202
Accrued Wages and Benefits Payable	769,612	119,700	889,312
Intergovernmental Payable	117,787	8,272	126,059
Interfund Payable	0	7,635	7,635
<i>Total Liabilities</i>	<u>934,601</u>	<u>135,607</u>	<u>1,070,208</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes	1,170,347	136,962	1,307,309
Unavailable Revenue	306,205	212,702	518,907
<i>Total Deferred Inflows of Resources</i>	<u>1,476,552</u>	<u>349,664</u>	<u>1,826,216</u>
<u>Fund Balances:</u>			
Nonspendable	25,817	4,639	30,456
Restricted	0	803,001	803,001
Assigned	180,376	5,818	186,194
Unassigned (Deficit)	4,506,507	(94,535)	4,411,972
<i>Total Fund Balances</i>	<u>4,712,700</u>	<u>718,923</u>	<u>5,431,623</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,123,853</u>	<u>\$1,204,194</u>	<u>\$8,328,047</u>

See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balances		\$5,431,623
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
	Land	269,130
	Depreciable Capital Assets	27,411,694
	Accumulated Depreciation	(13,913,681)
	Total Capital Assets	13,767,143
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
	Delinquent Property Taxes	334,395
	Intergovernmental	184,512
	Total	518,907
 In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(550)
 The net position liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
	Deferred Outflows - Pension	2,813,961
	Net Pension Liability	(14,774,448)
	Deferred Inflows - Pension	(509,128)
	Total	(12,469,615)
 Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources, and therefore are not reported in the funds.		
		1,785
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
	Vacation Leave Payable	(70,169)
	Bonds Payable	(415,000)
	Capital Appreciation Bond Interest Accretion	(26,642)
	Bond Premium	(8,646)
	Compensated absences	(614,733)
	Total liabilities	(1,135,190)
 Net Position of Governmental Activities		 \$6,114,103

See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,312,127	\$132,749	\$1,444,876
Intergovernmental	9,010,795	1,113,035	10,123,830
Interest	1,968	81	2,049
Tuition and Fees	1,200,601	0	1,200,601
Extracurricular Activities	12,237	47,377	59,614
Charges for Sales and Services	0	136,846	136,846
Contributions and Donations	11,000	0	11,000
Miscellaneous	88,196	22,422	110,618
<i>Total Revenues</i>	<u>11,636,924</u>	<u>1,452,510</u>	<u>13,089,434</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	5,137,212	161,506	5,298,718
Special	1,191,117	357,216	1,548,333
Adult/Continuing	0	12,204	12,204
Student Intervention Services	8,011	0	8,011
Support Services:			
Pupils	379,987	1,000	380,987
Instructional Staff	336,524	30,214	366,738
Board of Education	32,295	0	32,295
Administration	766,726	15,869	782,595
Fiscal	232,055	3,516	235,571
Business	19,362	0	19,362
Operation and Maintenance of Plant	941,367	79,238	1,020,605
Pupil Transportation	894,161	95,277	989,438
Central	12,368	0	12,368
Operation of Non-Instructional Services:			
Food Service Operations	245	513,747	513,992
Extracurricular Activities	175,807	51,451	227,258
Capital Outlay	469,562	12,621	482,183
Debt Service:			
Principal Retirement	50,000	55,000	105,000
Interest and Fiscal Charges	10,890	5,383	16,273
<i>Total Expenditures</i>	<u>10,657,689</u>	<u>1,394,242</u>	<u>12,051,931</u>
<i>Net Change in Fund Balances</i>	979,235	58,268	1,037,503
<i>Fund Balances at Beginning of Year</i>	<u>3,733,465</u>	<u>660,655</u>	<u>4,394,120</u>
<i>Fund Balances at End of Year</i>	<u>\$4,712,700</u>	<u>\$718,923</u>	<u>\$5,431,623</u>

See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$1,037,503

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this is the amount by which depreciation exceeded capital outlay:

	497,745	
Capital Assets Additions		
Current Year Depreciation	(754,192)	
Excess of depreciation expense over capital outlay		(256,447)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this year:

	25,371	
Delinquent Property Taxes		
Intergovernmental	78,184	
Total		103,555

Some expenses reported on the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

	(50,894)	
Increase in Compensated Absences		
Increase in Accrued Vacation Leave Payable	(31,786)	
Total		(82,680)

Accretion and amortization of bond premiums, the deferred loss on refunding debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

	(6,340)	
Accretion on bonds		
Amortization of premium on bonds	2,292	
Amortization of loss on refunding	(595)	
Decrease in accrued interest	306	
Total		(4,337)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 746,138

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the Statement of Activities. (1,090,861)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Bond payments	105,000	

Change in Net Position of Governmental Activities \$557,871

See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)\
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budget Amounts</u>			Variance With Final Budget Over/(Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$1,448,513	\$1,301,500	\$1,301,500	\$0
Intergovernmental	8,372,930	9,020,905	9,020,905	0
Interest	3,700	1,968	1,968	0
Tuition and Fees	1,287,281	1,184,129	1,184,129	0
Extracurricular Activities	8,745	12,237	12,237	0
Contributions and Donations	1,000	11,000	11,000	0
Miscellaneous	223,092	77,541	77,541	0
<i>Total Revenues</i>	<u>11,345,261</u>	<u>11,609,280</u>	<u>11,609,280</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,168,499	5,111,310	5,111,310	0
Special	1,103,591	1,183,437	1,183,437	0
Student Intervention Services	10,863	9,998	9,998	0
Support Services:				
Pupils	293,590	364,157	364,157	0
Instructional Staff	376,986	340,060	340,060	0
Board of Education	49,395	38,161	38,161	0
Administration	783,286	767,336	767,336	0
Fiscal	241,963	231,713	231,713	0
Business	48,125	27,281	27,281	0
Operation and Maintenance of Plant	1,094,344	1,032,668	1,032,668	0
Pupil Transportation	935,364	935,182	935,182	0
Central	4,213	12,374	12,374	0
Operation of Non-Instructional Services:				
Food Service Operations	178	248	248	0
Extracurricular Activities	142,293	179,801	179,801	0
Capital Outlay	632,203	469,562	469,562	0
Debt Service:				
Principal Retirement	50,000	50,000	50,000	0
Interest and Fiscal Charges	13,310	10,890	10,890	0
<i>Total Expenditures</i>	<u>10,948,203</u>	<u>10,764,178</u>	<u>10,764,178</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>397,058</u>	<u>845,102</u>	<u>845,102</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	106,813	11,061	11,061	0
Advances Out	(15,000)	(7,635)	(7,635)	0
<i>Total Other Financing Sources (Uses)</i>	<u>91,813</u>	<u>3,426</u>	<u>3,426</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	488,871	848,528	848,528	0
<i>Fund Balance at Beginning of Year</i>	4,186,748	4,186,748	4,186,748	0
<i>Prior Year Encumbrances Appropriated</i>	<u>286,995</u>	<u>286,995</u>	<u>286,995</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$4,962,614</u></u>	<u><u>\$5,322,271</u></u>	<u><u>\$5,322,271</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2017

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$17,136</u></u>
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Liabilities:

Undistributed Monies	<u><u>\$17,136</u></u>
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See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Bloom-Vernon Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1968 and serves an area of approximately 84 square miles. It is located in Scioto County, and includes all of the Village of South Webster and portions of Bloom and Vernon Townships. It is staffed by 42 non-certificated employees, 66 certificated full-time teaching personnel and six administrative employees who provide services to 943 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are presented in Note 17 to the basic financial statements.

These organizations are:

Jointly Governed Organizations:

South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Coalition of Rural and Appalachian Schools
Southern Ohio Academy

Public Entity Shared Risk Pool:
Optimal Health Initiatives Consortium

Insurance Purchasing Pool:
Ohio SchoolComp Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bloom-Vernon Local 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.

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 and deferred inflows of resources is reported as fund balance. The following is the School District's major governmental fund:

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.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has one fiduciary fund, an agency fund, used to account for student activity programs.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statement of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, 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. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, grants, and miscellaneous.

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 a deferred charge on refunding and pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 11). 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 14.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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.

Pensions

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

Cash and Cash Equivalents

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

Following Ohio statutes, 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 2017 amounted to \$1,968, which includes \$192 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. The School District had no investments as of June 30, 2017.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for unclaimed monies held to be reclaimed by the rightful owner.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable/Payable”. Interfund balances are eliminated in the Statement of Net Position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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 fiscal year in which services are consumed.

Inventory

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

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the fiscal year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$1,000. 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 capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 30 years
Buildings and Improvements	10 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 15 years
Textbooks	10 years

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Compensated Absences

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

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.

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 governmental funds. However, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

Fund Balance

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

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. State Statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. Assigned amounts in the Principals' Fund, which is included as part of the General Fund for GAAP reporting purposes, represent amounts assigned by the principals for certain curricular and extracurricular activities. In Nonmajor Governmental Funds, assigned amounts represent amounts assigned by the Treasurer for the Morning Mall Program. These individuals have been given authority to assign amounts for these purposes by the School District Board of Education.

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

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

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Position restricted for other purposes include food service and federal and State grants restricted to expenditures for specified purposes.

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. Prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Deferred Charge on Refunding

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

Estimates

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

NOTE 3 - FUND BALANCES

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Nonspendable</i>			
Prepays	\$16,863	\$4,349	\$21,212
Inventory	5,926	290	6,216
Unclaimed Monies	3,028	0	3,028
<i>Total Nonspendable</i>	25,817	4,639	30,456
<i>Restricted for</i>			
Debt Payment	0	260,078	260,078
Permanent Improvements	0	170,053	170,053
Athletics	0	61,729	61,729
Capital Improvements	0	120,793	120,793
Classroom Facilities	0	190,348	190,348
<i>Total Restricted</i>	0	803,001	803,001
<i>Assigned to</i>			
Purchases on Order	160,404	0	160,404
Principals' Fund	19,972	0	19,972
Morning Mall Program	0	5,818	5,818
<i>Total Assigned</i>	180,376	5,818	186,194
<i>Unassigned (Deficit)</i>	4,506,507	(94,535)	4,411,972
<i>Total Fund Balances</i>	\$4,712,700	\$718,923	\$5,431,623

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 4 - ACCOUNTABILITY

The Food Service, Early Childhood Education, Straight A, Title VI-B, Title I and Title VI-R Special Revenue Funds had deficit fund balances in the amount of \$23,057, \$13,170, \$3,075, \$17,353, \$25,090, and \$8,557 respectively, as of June 30, 2017. The deficits in fund balances were due to accruals in GAAP. The General Fund is liable for any deficit in these funds and will provide transfers when cash is required not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund 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 assigned fund balance (GAAP basis).
4. 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.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$979,235
Adjustments:	
Revenue Accruals	(27,644)
Expenditure Accruals	93,590
Encumbrances	(200,079)
Advances	3,426
Budget Basis	<u>\$848,528</u>

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

Interim monies held by the School District may 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

NOTE 7 - 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 year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 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.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected with real property taxes. Public utility real property is assessed at 35 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 Scioto County. The Scioto County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the 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, 2017, was \$54,619 in the General Fund and \$5,217 in other Nonmajor Governmental Funds. The amount available as an advance at June 30, 2016, was \$43,992 in the General Fund and \$5,117 in other Nonmajor Governmental Funds.

On an 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 fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$53,340,280	76.70%	\$56,031,970	71.11%
Public Utility Personal	16,201,580	23.30%	22,759,330	28.89%
Total Assessed Value	<u>\$69,541,860</u>	<u>100.00%</u>	<u>\$78,791,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$22.80		\$22.30	

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 8 - RECEIVABLES

Receivables at June 30, 2017, consisted of accounts, property taxes, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except, for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>Governmental Activities:</u>	
Title I	\$29,731
IDEA-B	77,443
Title II-A	8,426
Teacher Incentive Fund Grant	3,075
Early Childhood Education	56,000
Medicaid Reimbursement	13,003
Title VI-B	14,397
Total Intergovernmental Receivables	<u><u>\$202,075</u></u>

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance at 6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/17</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$269,130	\$0	\$0	\$269,130
Capital Assets Being Depreciated:				
Land Improvements	766,589	13,155	0	779,744
Buildings and Improvements	23,416,131	11,250	0	23,427,381
Furniture, Fixtures and Equipment	1,786,368	163,880	(4,978)	1,945,270
Vehicles	845,542	309,460	0	1,155,002
Textbooks	104,297	0	0	104,297
Total Capital Assets				
Being Depreciated	<u>26,918,927</u>	<u>497,745</u>	<u>(4,978)</u>	<u>27,411,694</u>

(continued)

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

	Balance at 6/30/16	Additions	Deductions	Balance at 6/30/17
Less Accumulated Depreciation:				
Land Improvements	(\$360,654)	(\$32,089)	\$0	(\$392,743)
Buildings and Improvements	(10,730,587)	(596,040)	0	(11,326,627)
Furniture, Fixtures and Equipment	(1,484,670)	(60,464)	4,978	(1,540,156)
Vehicles	(485,000)	(64,914)	0	(549,914)
Textbooks	(103,556)	(685)	0	(104,241)
Total Accumulated Depreciation	<u>(13,164,467)</u>	<u>(754,192) *</u>	<u>4,978</u>	<u>(13,913,681)</u>
Total Capital Assets Being Depreciated, Net	<u>13,754,460</u>	<u>(256,447)</u>	<u>0</u>	<u>13,498,013</u>
Governmental Activities Capital Assets, Net	<u>\$14,023,590</u>	<u>(\$256,447)</u>	<u>\$0</u>	<u>\$13,767,143</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$351,978
Special	11,500
Support Services:	
Pupils	17,299
Instructional Staff	23,473
Administration	52,506
Fiscal	11,500
Business	3,349
Operation and Maintenance of Plant	64,424
Pupil Transportation	132,810
Operation of Non-Instructional Services:	
Food Service Operations	57,828
Extracurricular Activities	27,525
Total Depreciation Expense	<u>\$754,192</u>

NOTE 10 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District maintained comprehensive insurance coverage with Argonaut Insurance Company for liability, property, auto, and crime insurance. The School District paid its premium to McGowan Governmental Underwriters, an agent for Argonaut Insurance Company.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

Employee Medical and Dental Benefits

The School District participates in the Optimal Health Initiatives Consortium (the “Consortium”), a public entity shared risk pool (Note 17), consisting of school districts whose insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays that claims on the School District’s behalf.

Workers’ Compensation

For fiscal year 2017, the School District participated in the Ohio SchoolComp Workers’ Compensation Group Rating Plan (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 participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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

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

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

The School District's contractually required contribution to SERS was \$197,697 for fiscal year 2017. Of this amount \$22,016 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. 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.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$548,441 for fiscal year 2017. Of this amount \$80,120 is reported as an intergovernmental payable.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.04354200%	0.03567445%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04277350%</u>	<u>0.03478570%</u>	
Change in Proportionate Share	<u>-0.00076850%</u>	<u>-0.00088875%</u>	
Proportionate Share of the Net Pension Liability	\$3,130,626	\$11,643,822	\$14,774,448
Pension Expense	\$370,206	\$720,655	\$1,090,861

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$42,225	\$470,467	\$512,692
Changes of assumptions	208,986	0	208,986
Net difference between projected and actual earnings on pension plan investments	258,231	966,750	1,224,981
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	121,164	0	121,164
School District contributions subsequent to the measurement date	<u>197,697</u>	<u>548,441</u>	<u>746,138</u>
Total Deferred Outflows of Resources	<u>\$828,303</u>	<u>\$1,985,658</u>	<u>\$2,813,961</u>
Deferred Inflows of Resources:			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$33,373</u>	<u>\$475,755</u>	<u>\$509,128</u>

\$746,138 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$172,095	\$86,330	\$258,425
2019	171,909	86,329	258,238
2020	178,999	457,298	636,297
2021	<u>74,230</u>	<u>331,505</u>	<u>405,735</u>
Total	<u>\$597,233</u>	<u>\$961,462</u>	<u>\$1,558,695</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015 are presented below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

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

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were 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.

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 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 arithmetic weighted averaged 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,144,753	\$3,130,626	\$2,281,759

Actuarial Assumptions - STRS

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

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

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

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

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	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$15,473,694	\$11,643,822	\$8,413,100

Changes between Measurement Date and Report Date

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

NOTE 12 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

prescription drug plans, respectively. 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 2017, no allocation 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 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$24,602.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$24,602, \$22,354, and \$34,095, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health

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

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. For the fiscal years ended June 30, 2017, 2016, and 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 50 days.

Insurance Benefits

The School District provides health care coverage through Anthem Blue Cross BlueShield through the Optimal Health Initiative Consortium, dental coverage for its employees through Delta Dental, vision coverage through Vision Service Plan, and life insurance through American United Life Insurance Co.

Deferred Compensation

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

NOTE 14 – LEASES – LESSEE DISCLOSURE

During fiscal year 2016, the School District entered into an operating lease with Energy Optimizers for upgrades to make the buildings more energy efficient. During fiscal year 2017, the School District paid the lease off.

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For the Fiscal Year Ended June 30, 2017

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
1998 School Improvement Bonds - 5.70 - 5.85%	\$50,000	\$0	\$50,000	\$0	\$0
2010 School Energy Conservation Bonds - 4.84%	250,000	0	50,000	200,000	50,000
2012 Refunding Bonds					
Term Bonds 1.40 - 2.10%	190,000	0	5,000	185,000	0
Capital Appreciation Bonds 12.56%	30,000	0	0	30,000	30,000
Accretion on Capital Appreciation Bonds	20,302	6,340	0	26,642	0
Premium on Bonds	10,938	0	2,292	8,646	0
Total General Obligation Bonds	<u>551,240</u>	<u>6,340</u>	<u>107,292</u>	<u>450,288</u>	<u>80,000</u>
Net Pension Liability:					
STRS	9,859,375	1,784,447	0	11,643,822	0
SERS	2,484,550	646,076	0	3,130,626	0
Total Net Pension Liability	<u>12,343,925</u>	<u>2,430,523</u>	<u>0</u>	<u>14,774,448</u>	<u>0</u>
Compensated Absences	<u>563,839</u>	<u>245,201</u>	<u>194,307</u>	<u>614,733</u>	<u>22,092</u>
Total Governmental Activities Long-Term Obligations	<u>\$13,459,004</u>	<u>\$2,682,064</u>	<u>\$301,599</u>	<u>\$15,839,469</u>	<u>\$102,092</u>

1998 School Improvement Bonds - On December 1, 1998, Bloom-Vernon Local School District issued \$865,100 in voted general obligation bonds for the construction of a new elementary school and for an addition to the high school building. The bonds were issued for a 23 year period with final maturity at December 31, 2020. The bonds will be retired from the Debt Service Fund. During fiscal year 2012, the School District current refunded \$240,000 in bonds. The refunded portion of the bonds were removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the Debt Service Fund using tax revenues. The original bonds were issued for a twenty-two years period with a final maturity at December 1, 2020, and after the current refunding the remaining bonds have a final maturity at December 1, 2016. These bonds were paid off during the fiscal year.

2010 School Energy Conservation Bonds - On September 1, 2010, the School District issued \$500,000 in School Energy Conservation Bonds through the HB264 School Energy Conservation Financing Program administered by the Ohio Schools Facilities Commission. The proceeds will be used to make energy saving improvements to the School. The Bonds were issued for a ten-year period with final maturity at September 1, 2020. The interest on the bonds is refunded to the School District. The bonds will be retired from the General Fund.

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For the Fiscal Year Ended June 30, 2017

2012 Refunding Bonds - On March 22, 2012, the School District issued \$240,000 in General Obligation Refunding Bonds that were issued to partially refund the 1998 School Improvement General Obligation Bonds. The bonds were issued for a nine year period with final maturity at December 2, 2020. The \$240,000 bond issue consists of term bonds in the amount of \$210,000 and capital appreciation bonds in the amount of \$30,000. The bonds were issued at a premium in the amount of \$20,628.

The partial current refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$4,957. This difference is being reported in the accompanying financial statements as a deferred outflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method.

Principal and interest requirements to retire the long-term general obligation bonds, school energy conservation bonds, and refunding bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$80,000	\$42,355	\$122,355
2019	110,000	9,305	119,305
2020	110,000	5,625	115,625
2021	115,000	1,893	116,893
Total	<u>\$415,000</u>	<u>\$59,178</u>	<u>\$474,178</u>

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Food Service, Early Childhood Education, Title VI, Title I and Title II funds. For additional information related to the net pension liability see Note 11.

The overall legal debt margin was \$7,136,295 with an unvoted debt margin of \$78,791, and an Energy Conservation debt margin of \$509,122 at June 30, 2017.

NOTE 16 - INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2017, consist of the following individual interfund receivable and payable:

	Receivable
	<u>General Fund</u>
Payable	Nonmajor Governmental Funds <u>\$7,635</u>

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For the Fiscal Year Ended June 30, 2017

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL

Jointly Governed Organizations

South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)

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

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. The subcontract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$1,642 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with

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

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. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2017, the School District made a payment of \$325 to the Coalition for a membership fee. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Southern Ohio Academy

The School District is a participant in the Southern Ohio Academy, a jointly governed, non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from Bloom-Vernon, Clay, New Boston, Green, Manchester, Minford, Northwest, Oak Hill, Valley, Washington Nile, and Wheelersburg school districts. Because ORC requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budget, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

Public Entity Shared Risk Pool

Optimal Health Initiatives Consortium

The School District is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts whose insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economies of scale to create cost savings. The Council's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

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Notes to the Basic Financial Statements
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Insurance Purchasing Pool

Ohio SchoolComp Workers' Compensation Group Rating Plan

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the Group Rating Plan. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

NOTE 18 - SET-ASIDE CALCULATIONS

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

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

	<u>Capital Acquisitions</u>
Set-aside Balance as of June 30, 2016	\$16,972
Current Fiscal Year Set-aside Requirement	156,125
Current Fiscal Year Offsets	(140,505)
Qualifying Disbursements	(32,592)
Set-aside Balance as of June 30, 2017	<u><u>\$0</u></u>

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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

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disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

State Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017, Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

Litigation

The School District is not a party to any legal proceeding as of June 30, 2017.

NOTE 20 – SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	\$200,079
Nonmajor Governmental Funds	11,070
Total	<u><u>\$211,149</u></u>

Bloom Vernon Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.04277350%	0.04354200%	0.03949900%	0.03949900%
School District's Proportionate Share of the Net Pension Liability	\$3,130,626	\$2,484,550	\$1,999,022	\$2,348,879
School District's Covered Payroll	\$1,325,929	\$1,305,064	\$1,015,504	\$1,050,244
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	236.11%	190.38%	196.85%	223.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.03478570%	0.03567445%	0.03722417%	0.03722417%
School District's Proportionate Share of the Net Pension Liability	\$11,643,822	\$9,859,375	\$9,054,205	\$10,785,311
School District's Covered-Employee Payroll	\$3,670,479	\$3,755,143	\$3,817,207	\$3,930,977
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	317.23%	262.56%	237.19%	274.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$197,697	\$185,630	\$172,007	\$140,749
Contributions in Relation to the Contractually Required Contribution	<u>(197,697)</u>	<u>(185,630)</u>	<u>(172,007)</u>	<u>(140,749)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,412,121	\$1,325,929	\$1,305,064	\$1,015,504
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$145,354	\$150,055	\$150,806	\$174,200	\$115,543	\$109,358
<u>(145,354)</u>	<u>(150,055)</u>	<u>(150,806)</u>	<u>(174,200)</u>	<u>(115,543)</u>	<u>(109,358)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,050,244	\$1,115,654	\$1,199,729	\$1,286,557	\$1,174,213	\$1,113,624
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$548,441	\$513,867	\$525,720	\$530,549
Contributions in Relation to the Contractually Required Contribution	<u>(548,441)</u>	<u>(513,867)</u>	<u>(525,720)</u>	<u>(530,549)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,917,436	\$3,670,479	\$3,755,143	\$3,817,207
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.90%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$511,027	\$503,633	\$497,162	\$501,300	\$548,182	\$561,082
<u>(511,027)</u>	<u>(503,633)</u>	<u>(497,162)</u>	<u>(501,300)</u>	<u>(548,182)</u>	<u>(561,082)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,930,977	\$3,874,100	\$3,824,323	\$3,856,154	\$4,216,785	\$4,316,015
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

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

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

Amounts reported for fiscal year 2017 use mortality assumptions with 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.

BLOOM VERNON LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2017

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Passed through to Subrecipient	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
School Breakfast Program	2016/2017	10.553	\$0	\$133,700	\$0	\$133,700	\$0
National School Lunch Program	2016/2017	10.555	0	213,849	27,604	213,849	27,604
<i>Total Nutrition Cluster</i>			0	347,549	27,604	347,549	27,604
Total U.S. Department of Agriculture			0	347,549	27,604	347,549	27,604
<u>U.S. Department of Education</u>							
<i>Passed Through Ohio Department of Education:</i>							
Title I Grants to Local Educational Agencies	2017	84.010	0	189,278	0	181,110	0
Title I Grants to Local Educational Agencies	2016	84.010	0	33,873	0	33,886	0
<i>Total Title I</i>			0	223,151	0	214,996	0
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	2017	84.027	0	130,699	0	125,025	0
Special Education - Grants to States (IDEA Part B)	2016	84.027	0	22,305	0	22,355	0
<i>Total Special Education Cluster</i>			0	153,004	0	147,380	0
Rural Education	2017	84.358	0	5,840	0	10,400	0
<i>Total Rural Education</i>			0	5,840	0	10,400	0
Improving Teacher Quality	2017	84.367	0	63,868	0	61,147	0
Improving Teacher Quality	2016	84.367	0	11,755	0	11,711	0
<i>Total Improving Teacher Quality</i>			0	75,623	0	72,858	0
Teacher Incentive Fund	2016	84.374	0	23,199	0	19,944	0
Teacher Incentive Fund	2016	84.374	0	0	0	36,464	0
<i>Total Teacher Incentive Fund</i>			0	23,199	0	56,408	0
Total U.S. Department of Education			0	480,817	0	502,042	0
<u>U.S. Department of Environmental Protection Agency</u>							
<i>Passed Through Ohio Department of Education:</i>							
State Clean Diesel Grant Program	2017	66.040	0	77,365	0	77,365	0
Total U.S. Department of Environmental Protection Agency			0	77,365	0	77,365	0
Total Federal Financial Assistance			<u>\$0</u>	<u>\$905,731</u>	<u>\$27,604</u>	<u>\$926,956</u>	<u>\$27,604</u>

The accompanying notes to the Schedule of Federal Awards Revenues and Expenditures are an integral part of the Schedule.

BLOOM-VERNON LOCAL SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Board of Education
Bloom Vernon Local School District
P.O. Box 237
South Webster, Ohio 45682

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities the major fund, and the aggregate remaining fund information of Bloom Vernon Local School District (the School District), Scioto County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 22, 2017.

Internal Control over Financial Reporting

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

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

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

Board of Education
Bloom Vernon Local School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based Required by
Government Auditing Standards

Compliance and Other Matters

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

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

November 22, 2017

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by Uniform Guidance**

Board of Education
Bloom Vernon Local School District
P.O. Box 237
South Webster, Ohio 45682

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal program identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

November 22, 2017

BLOOM VERNON LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
9.	<i>Major Programs (list):</i>	CFDA # 10.553/10.555 Nutrition Cluster
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: All Other Programs
11.	<i>Low Risk Auditee under 2 CFR §200.520?</i>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.

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Dave Yost • Auditor of State

BLOOM VERNON LOCAL SCHOOL DISTRICT

SCIOTO 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
FEBRUARY 6, 2018**