



BLOOM-VERNON LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2018

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Bloom Vernon Local School District
P.O. Box 237
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, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 24, 2019

This Page Left Intentionally Blank

Bloom-Vernon Local School District
Table of Contents
For the Fiscal Year Ended June 30, 2018

FINANCIAL SECTION

Independent Auditor’s Report 1

Management’s Discussion and Analysis 4

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Position 14

Statement of Activities 15

Fund Financial Statements

Balance Sheet - Governmental Funds 16

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities 17

Statement of Revenues, Expenditures, and Changes in Fund
Balances - Governmental Funds 18

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities 19

Statement of Revenues, Expenditures, and Changes in Fund
Balances - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund 20

Statement of Fiduciary Assets and Liabilities - Agency Fund 21

Notes to the Basic Financial Statements 22

REQUIRED SUPPLEMENTAL SCHEDULES

Schedule of the School District’s Proportionate Share of the
Net Pension Liability – SERS – Last Five Fiscal Years 66

Schedule of the School District’s Proportionate Share of the
Net OPEB Liability – SERS – Last Two Fiscal Years 67

Schedule of the School District’s Proportionate Share of the
Net Pension Liability – STRS – Last Five Fiscal Years 68

Schedule of the School District’s Proportionate Share of the
Net OPEB Liability – STRS – Last Two Fiscal Years 69

Bloom-Vernon Local School District
Table of Contents
For the Fiscal Year Ended June 30, 2018

Schedule of the School District Contributions – SERS- Last Ten Fiscal Years.....70

Schedule of the School District Contributions – STRS- Last Ten Fiscal Years.....72

Notes to the Required Supplementary Information74

SUPPLEMENTAL INFORMATION

Schedule of Federal Awards Receipts and Expenditures76

Notes to the Schedule of Federal Awards Receipts and Expenditures77

AUDIT REPORTS

Independent Auditor’s Report on Internal Control over Financial Reporting and on
on Compliance and Other Matters Required by *Government Auditing Standards*78

Independent Auditor’s Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance in Accordance with
Uniform Guidance80

Schedule of Findings82

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, 2018, 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, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with 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 4-12 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 December 17, 2018, 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

December 17, 2018

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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, 2018. 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 2018 are as follows:

- In fiscal year 2018, the School District's Net Position increased \$5,155,537.
- The School District's total net position increased mainly due to a decrease in the State Teachers Retirement System (STRS) net pension liability. STRS altered assumptions about the long-term rate of return on investments and assumed no cost of living increases.

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 2018?" 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, 2018

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 11. 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 2018 and 2017:

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

(Table 1)
Net Position

	Governmental Activities		
	2018	Restated 2017	Increase/ (Decrease)
Assets:			
Current Assets	\$9,249,875	\$8,320,412	\$929,463
Capital Assets, Net	13,437,571	13,767,143	(329,572)
Total Assets	<u>22,687,446</u>	<u>22,087,555</u>	<u>599,891</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	1,190	1,785	(595)
Pension	3,382,752	2,813,961	568,791
OPEB	146,671	24,602	122,069
Total Deferred Outflows of Resources	<u>3,530,613</u>	<u>2,840,348</u>	<u>690,265</u>
Liabilities:			
Other Liabilities	1,090,492	1,133,292	(42,800)
Long-Term Liabilities:			
Due Within One Year	157,519	102,092	55,427
Due in More than One Year:			
Net Pension Liability	10,975,328	14,774,448	(3,799,120)
Net OPEB Liability	2,560,624	3,098,375	(537,751)
Other Amounts	902,390	962,929	(60,539)
Total Liabilities	<u>15,686,353</u>	<u>20,071,136</u>	<u>(4,384,783)</u>
Deferred Inflows of Resources:			
Property Taxes	1,338,306	1,307,309	30,997
Pension	712,296	509,128	203,168
OPEB	285,237	0	285,237
Total Deferred Inflows of Resources	<u>2,335,839</u>	<u>1,816,437</u>	<u>519,402</u>
Net Position:			
Net Investment in Capital Assets	13,097,407	13,345,282	(247,875)
Restricted	841,802	954,263	(112,461)
Unrestricted	(5,743,342)	(11,259,215)	5,515,873
Total Net Position	<u>\$8,195,867</u>	<u>\$3,040,330</u>	<u>\$5,155,537</u>

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

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

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$6,114,103 to \$3,040,330.

Total assets increased \$599,891. The majority of this increase resulted from an increase in current assets, in particularly Cash and Cash Equivalents. Despite revenues decreasing slightly, they still outpaced expenditures due to the School District continuing to monitor activity throughout the fiscal year.

Total liabilities decreased \$4,384,783. Long-term liabilities decreased mainly as a result of changes made during the fiscal year by the STRS Retirement System.

Total net position increased \$5,155,537. Unrestricted net position accounted for the majority share of the net position increase mainly as a result of changes made during the fiscal year by the STRS Retirement System.

Table 2 shows the highlights of the School District's revenues and expenses for fiscal years 2018 and 2017. 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,

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

and interest. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions and donations, interest and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

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 2018 and 2017.

Table 2
Change in Net Position

	Governmental Activities		Increase/ (Decrease)
	2018	(Restated) 2017	
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$1,362,397	\$1,397,061	(\$34,664)
Operating Grants, Contributions, and Interest	1,285,504	1,726,155	(440,651)
Total Program Revenues	<u>2,647,901</u>	<u>3,123,216</u>	<u>(475,315)</u>
General Revenues:			
Property Taxes	1,613,862	1,470,247	143,615
Grants and Entitlements not Restricted to Specific Programs	8,420,253	8,475,929	(55,676)
Contributions and Donations	2,552	11,000	
Investment Earnings	10,953	1,979	8,974
Miscellaneous	157,083	110,618	46,465
Total General Revenues	<u>10,204,703</u>	<u>10,069,773</u>	<u>134,930</u>
Total Revenues	<u>12,852,604</u>	<u>13,192,989</u>	<u>(340,385)</u>
Program Expenses:			
Instruction:			
Regular	2,649,217	5,809,859	(3,160,642)
Special	1,196,323	1,595,119	(398,796)
Student Intervention Services	22,876	6,637	16,239
Support Services:			
Pupils	228,484	417,917	(189,433)
Instructional Staff	198,610	396,807	(198,197)
Board of Education	32,328	33,462	(1,134)
Administration	469,269	885,009	(415,740)
Fiscal	240,639	266,153	(25,514)
Business	29,952	22,711	7,241
Operation and Maintenance of Plant	1,141,126	1,141,775	(649)
Pupil Transportation	779,625	1,161,480	(381,855)
Central	4,403	12,368	(7,965)
Operation of Non-Instructional Services:			
Food Service Operations	601,244	592,975	8,269
Extracurricular Activities	86,761	272,236	(185,475)
Interest and Fiscal Charges	16,210	20,610	(4,400)
Total Expenses	<u>7,697,067</u>	<u>12,635,118</u>	<u>(4,938,051)</u>
Increase in Net Position	<u>5,155,537</u>	<u>557,871</u>	<u>\$4,597,666</u>
Net Position at Beginning of Year - Restated	<u>3,040,330</u>	<u>N/A</u>	
Net Position at End of Year	<u>\$8,195,867</u>	<u>\$3,040,330</u>	

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$24,602 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$341,916. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$7,697,067
Negative OPEB expense under GASB 75	341,916
2018 contractually required contribution	<u>32,667</u>
Adjusted 2018 program expenses	8,071,650
Total 2017 program expenses under GASB 45	<u>12,635,118</u>
Decrease in program expenses not related to OPEB	<u><u>(\$4,563,468)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 12) As a result of these changes, pension expense decreased from \$1,090,861 in fiscal year 2017 to a negative pension expense of \$3,398,536 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$2,291,085)
Special	(351,368)
Intervention	(93,184)
Support Services:	
Pupils	(144,233)
Instructional Staff	(53,802)
Board of Education	(322)
Administration	(322,504)
Fiscal	(4,306)
Operation and Maintenance of Plant	(12,061)
Pupil Transportation	(10,934)
Operation of Non-Instructional Services:	
Food Service Operations	(5,530)
Extracurricular Activities	<u>(109,207)</u>
Total Expenses	<u><u>(\$3,398,536)</u></u>

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

Governmental Activities

Program revenues decreased \$475,315 compared to fiscal year 2017. This decrease is mainly due to reductions in special education funding along with decreases in grant funding, including the School District receiving a clean diesel school bus grant during fiscal year 2017 that it did not receive during fiscal year 2018. Total general revenues increased \$134,930, mostly due to an increase in property tax revenues. Property taxes increased mainly due to property tax collections increasing compared to the prior fiscal year.

Expenses for the School District decreased \$4,938,051. This decrease is mainly due to the decrease in the State Teachers Retirement System (STRS) net pension liability. STRS altered assumptions about the long-term rate of return on investments and assumed no cost of living increases.

The School District's Funds

Information about the School District's most significant funds start on page 16. The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,949,969 and expenditures of \$11,979,313.

General Fund

The net change in fund balance for the fiscal year in the General Fund was an increase of \$965,896. Despite revenues decreasing slightly compared to fiscal year 2017, fund balance increased mainly due revenues continuing to outpace expenditures. The School District also monitors expenditures during the fiscal year as changes in revenues occur.

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 2018, 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 \$11,441,013. The original budget estimates were increased to a final budget amount of \$11,611,554 for the fiscal year. The majority of this increase was associated with property taxes and was primarily related to revenues exceeding original estimates. 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 \$224,824 which is, overall, not significant. 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 \$6,203,680.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$13,437,571 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and textbooks. The decrease of \$329,572 was due to current year depreciation exceeding current year additions.

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

Debt

At June 30, 2018, the School District had \$335,000 in bonds outstanding.

(Table 3)
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2018	2017
2010 School Energy Conservation Bonds	\$150,000	\$200,000
2012 Refunding Bonds	185,000	215,000
Totals	<u>\$335,000</u>	<u>\$415,000</u>

See Note 14 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.

BASIC FINANCIAL STATEMENTS

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,289,610
Materials and Supplies Inventory	5,378
Inventory Held for Resale	4,948
Accrued Interest Receivable	4,552
Accounts Receivable	1,118
Intergovernmental Receivable	173,529
Prepaid Items	21,385
Property Taxes Receivable	1,749,355
Capital Assets:	
Land and Construction in Progress	269,130
Depreciable Capital Assets, Net	<u>13,168,441</u>
<i>Total Assets</i>	<u>22,687,446</u>
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	1,190
Pension	3,382,752
OPEB	<u>146,671</u>
<i>Total Deferred Outflows of Resources</i>	<u>3,530,613</u>
<u>Liabilities:</u>	
Accounts Payable	48,367
Accrued Wages and Benefits Payable	894,841
Intergovernmental Payable	144,540
Accrued Interest Payable	2,744
Long-Term Liabilities:	
Due Within One Year	157,519
Due in More Than One Year:	
Net Pension Liability (See Note 11)	10,975,328
Net OPEB Liability (See Note 12)	2,560,624
Other Amounts	<u>902,390</u>
<i>Total Liabilities</i>	<u>15,686,353</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes	1,338,306
Pension	712,296
OPEB	<u>285,237</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,335,839</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	13,097,407
Restricted for Debt Service	241,953
Restricted for Capital Projects	280,876
Restricted for Other Purposes:	
Athletics	60,102
Classroom Facilities	253,252
Local Funds	4,679
State and Federal Grants	940
Unrestricted (Deficit)	<u>(5,743,342)</u>
<i>Total Net Position</i>	<u><u>\$8,195,867</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, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Total Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,649,217	\$1,014,274	\$62,400	(\$1,572,543)
Special	1,196,323	148,501	829,123	(218,699)
Vocational	0	0	22,537	22,537
Student Intervention Services	22,876	0	0	(22,876)
Support Services:				
Pupils	228,484	8,690	0	(219,794)
Instructional Staff	198,610	0	3,600	(195,010)
Board of Education	32,328	0	0	(32,328)
Administration	469,269	0	6,722	(462,547)
Fiscal	240,639	0	0	(240,639)
Business	29,952	0	0	(29,952)
Operation and Maintenance of Plant	1,141,126	100	0	(1,141,026)
Pupil Transportation	779,625	0	19,006	(760,619)
Central	4,403	0	0	(4,403)
Operation of Non-Instructional Services:				
Food Service Operations	601,244	135,825	342,116	(123,303)
Extracurricular Activities	86,761	55,007	0	(31,754)
Interest and Fiscal Charges	16,210	0	0	(16,210)
Total Governmental Activities	\$7,697,067	\$1,362,397	\$1,285,504	(5,049,166)
<u>General Revenues:</u>				
Property Taxes Levied for:				
General Purposes				1,476,283
Debt Service				36,704
Capital Outlay				27,456
Facility Maintenance				73,419
Grants and Entitlements not Restricted to Specific Programs				8,420,253
Contributions and Donations				2,552
Investment Earnings				10,953
Miscellaneous				157,083
Total General Revenues				10,204,703
Change in Net Position				5,155,537
Net Position at Beginning of Year - Restated (See Note 3)				3,040,330
Net Position at End of Year				\$8,195,867

See accompanying notes to the basic financial statements

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$6,454,995	\$831,587	\$7,286,582
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	3,028	0	3,028
Receivables:			
Accounts	404	714	1,118
Property Taxes	1,580,831	168,524	1,749,355
Intergovernmental	114,766	58,763	173,529
Accrued Interest	4,552	0	4,552
Interfund	1,459	0	1,459
Prepaid Items	17,324	4,061	21,385
Materials and Supplies Inventory	5,284	94	5,378
Inventory Held for Resale	0	4,948	4,948
<i>Total Assets</i>	<u>\$8,182,643</u>	<u>\$1,068,691</u>	<u>\$9,251,334</u>
<u>Liabilities:</u>			
Accounts Payable	\$45,283	\$3,084	\$48,367
Accrued Wages and Benefits Payable	783,142	111,699	894,841
Intergovernmental Payable	137,836	6,704	144,540
Interfund Payable	0	1,459	1,459
<i>Total Liabilities</i>	<u>966,261</u>	<u>122,946</u>	<u>1,089,207</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes	1,204,492	133,814	1,338,306
Unavailable Revenue	333,294	88,248	421,542
<i>Total Deferred Inflows of Resources</i>	<u>1,537,786</u>	<u>222,062</u>	<u>1,759,848</u>
<u>Fund Balances:</u>			
Nonspendable	25,636	4,155	29,791
Restricted	0	808,510	808,510
Assigned	239,381	4,669	244,050
Unassigned (Deficit)	5,413,579	(93,651)	5,319,928
<i>Total Fund Balances</i>	<u>5,678,596</u>	<u>723,683</u>	<u>6,402,279</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,182,643</u>	<u>\$1,068,691</u>	<u>\$9,251,334</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, 2018

Total Governmental Fund Balances		\$6,402,279
<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	27,816,896	
Accumulated Depreciation	(14,648,455)	
Total Capital Assets	13,437,571	13,437,571
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	359,258	
Intergovernmental	57,963	
Accrued Interest	4,321	
Total	421,542	421,542
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(2,744)
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	3,382,752	
Deferred Outflows - OPEB	146,671	
Net Pension Liability	(10,975,328)	
Net OPEB Liability	(2,560,624)	
Deferred Inflows - Pension	(712,296)	
Deferred Inflows - OPEB	(285,237)	
Total	(11,004,062)	(11,004,062)
Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources, and therefore are not reported in the funds.		
		1,190
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds Payable	(335,000)	
Bond Premium	(6,354)	
Compensated absences	(718,555)	
Total liabilities	(1,059,909)	(1,059,909)
Net Position of Governmental Activities		\$8,195,867

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, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,453,515	\$135,484	\$1,588,999
Intergovernmental	8,894,460	937,269	9,831,729
Investment Earnings	6,616	593	7,209
Tuition and Fees	1,162,775	0	1,162,775
Extracurricular Activities	8,690	55,007	63,697
Rent	100	0	100
Charges for Sales and Services	0	135,825	135,825
Contributions and Donations	2,552	0	2,552
Miscellaneous	140,856	16,227	157,083
<i>Total Revenues</i>	<u>11,669,564</u>	<u>1,280,405</u>	<u>12,949,969</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	5,229,215	107,246	5,336,461
Special	1,254,693	403,439	1,658,132
Student Intervention Services	10,903	18,610	29,513
Support Services:			
Pupils	393,465	1,000	394,465
Instructional Staff	304,636	3,600	308,236
Board of Education	33,683	0	33,683
Administration	843,037	6,861	849,898
Fiscal	247,315	3,641	250,956
Business	26,453	0	26,453
Operation and Maintenance of Plant	1,066,517	52,574	1,119,091
Pupil Transportation	705,641	0	705,641
Central	4,403	0	4,403
Operation of Non-Instructional Services:			
Food Service Operations	79	557,048	557,127
Extracurricular Activities	144,338	64,335	208,673
Capital Outlay	308,854	65,372	374,226
Debt Service:			
Principal Retirement	50,000	30,000	80,000
Interest and Fiscal Charges	8,470	33,885	42,355
<i>Total Expenditures</i>	<u>10,631,702</u>	<u>1,347,611</u>	<u>11,979,313</u>
Excess of Revenues Over (Under) Expenditures	<u>1,037,862</u>	<u>(67,206)</u>	<u>970,656</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	71,966	71,966
Transfers Out	(71,966)	0	(71,966)
<i>Total Other Financing Sources (Uses)</i>	<u>(71,966)</u>	<u>71,966</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	965,896	4,760	970,656
<i>Fund Balances at Beginning of Year</i>	<u>4,712,700</u>	<u>718,923</u>	<u>5,431,623</u>
<i>Fund Balances at End of Year</i>	<u><u>\$5,678,596</u></u>	<u><u>\$723,683</u></u>	<u><u>\$6,402,279</u></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, 2018

Net Change in Fund Balances - Total Governmental Funds		\$970,656
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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:		
Capital Assets Additions	461,265	
Current Year Depreciation	<u>(790,226)</u>	
Excess of depreciation expense over capital outlay		(328,961)
Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.		
Loss on Disposal of Capital Assets		(611)
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:		
Delinquent Property Taxes	24,863	
Intergovernmental	(126,549)	
Interest	<u>4,321</u>	
Total		(97,365)
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:		
Increase in Compensated Absences	(103,822)	
Decrease in Accrued Vacation Leave Payable	<u>70,169</u>	
Total		(33,653)
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.		
Accretion on bonds	(7,243)	
Amortization of premium on bonds	2,292	
Amortization of loss on refunding	(595)	
Increase in accrued interest	<u>(2,194)</u>	
Total		(7,740)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
Pension	766,207	
OPEB	<u>32,667</u>	
Total		798,874
Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the Statement of Activities.		
Pension	3,398,536	
OPEB	<u>341,916</u>	
Total		3,740,452
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	80,000	
Payment of accretion	<u>33,885</u>	
Total		<u>113,885</u>
Change in Net Position of Governmental Activities		<u>\$5,155,537</u>

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, 2018

	<u>Budget Amounts</u>			Variance With Final Budget Over/(Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$1,230,300	\$1,460,768	\$1,460,768	\$0
Intergovernmental	8,942,148	8,903,291	8,903,291	0
Investment Earnings	2,000	16,615	16,615	0
Tuition and Fees	1,106,120	1,084,216	1,084,216	0
Extracurricular Activities	4,045	8,690	8,690	0
Rent	0	100	100	0
Contributions and Donations	1,000	2,552	2,552	0
Miscellaneous	155,400	135,322	135,322	0
<i>Total Revenues</i>	<u>11,441,013</u>	<u>11,611,554</u>	<u>11,611,554</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,482,556	5,199,635	5,199,635	0
Special	1,179,759	1,264,357	1,264,357	0
Student Intervention Services	10,000	8,963	8,963	0
Support Services:				
Pupils	369,511	390,764	390,764	0
Instructional Staff	370,409	297,778	297,778	0
Board of Education	48,799	38,888	38,888	0
Administration	862,675	840,281	840,281	0
Fiscal	243,891	250,089	250,089	0
Business	35,011	35,669	35,669	0
Operation and Maintenance of Plant	1,183,607	1,179,929	1,179,929	0
Pupil Transportation	1,095,761	838,876	838,876	0
Central	4,213	4,402	4,402	0
Operation of Non-Instructional Services:				
Other	150	128	128	0
Extracurricular Activities	131,183	147,351	147,351	0
Capital Outlay	10,843	308,854	308,854	0
Debt Service:				
Principal Retirement	50,000	50,000	50,000	0
Interest and Fiscal Charges	10,890	8,470	8,470	0
<i>Total Expenditures</i>	<u>11,089,258</u>	<u>10,864,434</u>	<u>10,864,434</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>351,755</u>	<u>747,120</u>	<u>747,120</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	7,635	7,635	7,635	0
Transfers Out	(11,755)	(71,966)	(71,966)	0
Advances Out	(10,858)	(1,459)	(1,459)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(14,978)</u>	<u>(65,790)</u>	<u>(65,790)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	336,777	681,330	681,330	0
<i>Fund Balance at Beginning of Year</i>	5,322,271	5,322,271	5,322,271	0
<i>Prior Year Encumbrances Appropriated</i>	<u>200,079</u>	<u>200,079</u>	<u>200,079</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$5,859,127</u></u>	<u><u>\$6,203,680</u></u>	<u><u>\$6,203,680</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, 2018

Assets:

Equity in Pooled Cash and Cash Equivalents \$18,956

Liabilities:

Undistributed Monies \$18,956

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, 2018

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 879 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 16 to the basic financial statements.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association (META)
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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities 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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 Statement of Net 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 in the government-wide Statement of Net Position for deferred charge on refunding, and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Note 11 and 12.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources included property taxes, pension and OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund Balance Sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and accrued interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position (See Note 11 and 12).

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.

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".

During fiscal year 2018, the School District's investments were limited to a Money Market Mutual Fund and negotiable certificates of deposit. Investments are reported at fair value which is based on quoted market prices.

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 2018 amounted to \$6,616, which includes \$229 assigned from other School District funds.

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.

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.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Prepaid Items

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

Pensions/Other Postemployment Benefits (OPEB)

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

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.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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.

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 Net 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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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.

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 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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

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

Net Position June 30, 2017	\$6,114,103
Adjustments:	
Net OPEB Liability	(3,098,375)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>24,602</u>
Restated Net Position June 30, 2017	<u><u>\$3,040,330</u></u>

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

NOTE 4 - ACCOUNTABILITY

At June 30, 2018, the following nonmajor special revenue funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
Food Service	\$30,070
Strategies "Secondary Transition"	459
Title VI-B Fund	23,498
Title I Fund	22,496
Early Childhood Education	9,628
Title VI-R	<u>3,487</u>
Total	<u><u>\$89,638</u></u>

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than 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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget 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	\$965,896
Adjustments:	
Revenue Accruals	(68,240)
Expenditure Accruals	31,841
Encumbrances	(264,573)
Advances	6,176
Decrease in Fair Value of Investments - 2018	<u>10,230</u>
Budget Basis	<u><u>\$681,330</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio); and
8. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

Investments

At June 30, 2018, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>	<u>Percent of Total Investments</u>
Fair Value - Level 1 Inputs:				
Money Market Mutual Fund	\$20,964	Less than one year	AAAm	N/A
Fair Value - Level 2 Inputs:				
Negotiable Certificates of Deposits	<u>1,983,770</u>	Less than three years	N/A	98.95%
Total Investments	<u>\$2,004,734</u>			

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. To date, no investments have been purchased with a life greater than five years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Standard and Poor's ratings for the School District's investments are listed in the table above. The School District has no policy on credit risk beyond the requirements in State statutes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's investment policy does not address this risk beyond the requirements in State Statutes.

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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 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, 2018

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in calendar year 2018 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2018, was \$47,366 in the General Fund and \$4,425 in other Nonmajor Governmental Funds. 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.

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 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$56,031,970	71.11%	\$56,332,500	70.30%
Public Utility Personal	22,759,330	28.89%	23,802,570	29.70%
Total Assessed Value	<u>\$78,791,300</u>	<u>100.00%</u>	<u>\$80,135,070</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$22.30	\$22.30
---	---------	---------

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018, consisted of accounts, property taxes, intergovernmental grants, interest, 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	\$23,436
IDEA-B	23,057
Title II-A	3,422
Strategies "Secondary Transition"	459
Early Childhood Education	7,589
Bureau of Workers Compensation Refund	12,905
Charges/Reimbursements from Other Governments	98,993
State Foundation Adjustment	3,668
Total Intergovernmental Receivables	<u><u>\$173,529</u></u>

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance at</u> <u>6/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/18</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	<u>\$269,130</u>	<u>\$0</u>	<u>\$0</u>	<u>\$269,130</u>
Capital Assets Being Depreciated:				
Land Improvements	779,744	34,509	0	814,253
Buildings and Improvements	23,427,381	330,805	0	23,758,186
Furniture, Fixtures and Equipment	1,945,270	95,951	(56,063)	1,985,158
Vehicles	1,155,002	0	0	1,155,002
Textbooks	<u>104,297</u>	<u>0</u>	<u>0</u>	<u>104,297</u>
Total Capital Assets				
Being Depreciated	<u>\$27,411,694</u>	<u>\$461,265</u>	<u>(\$56,063)</u>	<u>\$27,816,896</u>

(continued)

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

	Balance at 6/30/17	Additions	Deductions	Balance at 6/30/18
Capital Assets Being Depreciated:				
Less Accumulated Depreciation:				
Land Improvements	(\$392,743)	(\$29,355)	\$0	(\$422,098)
Buildings and Improvements	(11,326,627)	(608,903)	0	(11,935,530)
Furniture, Fixtures and Equipment	(1,540,156)	(73,139)	55,452	(1,557,843)
Vehicles	(549,914)	(78,772)	0	(628,686)
Textbooks	(104,241)	(57)	0	(104,298)
Total Accumulated Depreciation	<u>(13,913,681)</u>	<u>(790,226) *</u>	<u>55,452</u>	<u>(14,648,455)</u>
Total Capital Assets Being Depreciated, Net	<u>13,498,013</u>	<u>(328,961)</u>	<u>(611)</u>	<u>13,168,441</u>
Governmental Activities Capital Assets, Net	<u>\$13,767,143</u>	<u>(\$328,961)</u>	<u>(\$611)</u>	<u>\$13,437,571</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$373,847
Special	11,473
Support Services:	
Pupils	21,876
Instructional Staff	22,927
Administration	49,867
Fiscal	10,913
Business	3,499
Operation and Maintenance of Plant	65,976
Pupil Transportation	138,701
Operation of Non-Instructional Services:	
Food Service Operations	65,334
Extracurricular Activities	25,813
Total Depreciation Expense	<u>\$790,226</u>

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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 2018, 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.

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 16), 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 2018, the School District participated in the Ohio SchoolComp Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

The School District's contractually required contribution to SERS was \$200,929 for fiscal year 2018. Of this amount \$15,402 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

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

The School District's contractually required contribution to STRS was \$565,278 for fiscal year 2018. Of this amount \$82,791 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04277350%	0.03478570%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.04332060%</u>	<u>0.03530600%</u>	
Change in Proportionate Share	<u>0.00054710%</u>	<u>0.00052030%</u>	
Proportionate Share of the Net			
Pension Liability	\$2,588,311	\$8,387,017	\$10,975,328
Pension Expense	(\$49,605)	(\$3,348,931)	(\$3,398,536)

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$111,392	\$323,867	\$435,259
Changes of assumptions	133,843	1,834,333	1,968,176
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	90,374	122,736	213,110
School District contributions subsequent to the measurement date	<u>200,929</u>	<u>565,278</u>	<u>766,207</u>
Total Deferred Outflows of Resources	<u>\$536,538</u>	<u>\$2,846,214</u>	<u>\$3,382,752</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$67,596	\$67,596
Net difference between projected and actual earnings on pension plan investments	12,286	276,781	289,067
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>21,103</u>	<u>334,530</u>	<u>355,633</u>
Total Deferred Inflows of Resources	<u>\$33,389</u>	<u>\$678,907</u>	<u>\$712,296</u>

\$766,207 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$154,340	\$266,934	\$421,274
2020	162,109	643,451	805,560
2021	46,110	514,443	560,553
2022	<u>(60,339)</u>	<u>177,201</u>	<u>116,862</u>
Total	<u>\$302,220</u>	<u>\$1,602,029</u>	<u>\$1,904,249</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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

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

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

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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	10.00	3.00
Total	<u>100.00 %</u>	

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

Sensitivity of the 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$3,591,902	\$2,588,311	\$1,747,597

Actuarial Assumptions - STRS

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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

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

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

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$12,022,502	\$8,387,017	\$5,324,664

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

NOTE 12 – DEFINED BENEFIT OPEB PLANS

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$25,210.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$32,667 for fiscal year 2018. Of this amount, \$25,796 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.04343390%	0.03478570%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.04408460%</u>	<u>0.03530600%</u>	
Change in Proportionate Share	<u>0.00065070%</u>	<u>0.00052030%</u>	
Proportionate Share of the Net			
OPEB Liability	\$1,183,115	\$1,377,509	\$2,560,624
OPEB Expense	\$74,451	(\$416,367)	(\$341,916)

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$0	\$79,518	\$79,518
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	10,635	23,851	34,486
School District contributions subsequent to the measurement date	<u>32,667</u>	<u>0</u>	<u>32,667</u>
Total Deferred Outflows of Resources	<u><u>\$43,302</u></u>	<u><u>\$103,369</u></u>	<u><u>\$146,671</u></u>
Deferred Inflows of Resources:			
Changes of assumptions	\$112,272	\$110,963	\$223,235
Net difference between projected and actual earnings on OPEB plan investments	<u>3,124</u>	<u>58,878</u>	<u>62,002</u>
Total Deferred Inflows of Resources	<u><u>\$115,396</u></u>	<u><u>\$169,841</u></u>	<u><u>\$285,237</u></u>

\$32,667 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$37,606)	(\$15,985)	(\$53,591)
2020	(37,606)	(15,985)	(53,591)
2021	(28,767)	(15,985)	(44,752)
2022	(782)	(15,986)	(16,768)
2023	0	(1,266)	(1,266)
Thereafter	<u>0</u>	<u>(1,265)</u>	<u>(1,265)</u>
Total	<u><u>(\$104,761)</u></u>	<u><u>(\$66,472)</u></u>	<u><u>(\$171,233)</u></u>

Actuarial Assumptions - SERS

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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

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

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

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,428,762	\$1,183,115	\$988,500

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$960,009	\$1,183,115	\$1,478,399

Actuarial Assumptions – STRS

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

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

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

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

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$1,849,285	\$1,377,509	\$1,004,653

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$957,035	\$1,377,509	\$1,930,904

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.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Restated Amount Outstanding 6/30/17	Additions	Deductions	Amount Outstanding 6/30/18	Amounts Due Within One Year
<u>Governmental Activities:</u>					
2010 School Energy Conservation Bonds - 4.84%	\$200,000	\$0	\$50,000	\$150,000	\$50,000
2012 Refunding Bonds					
Term Bonds 1.40 - 2.10%	185,000	0	0	185,000	60,000
Capital Appreciation Bonds 12.56%	30,000	0	30,000	0	0
Accretion on Capital Appreciation Bonds	26,642	7,243	33,885	0	0
Premium on Bonds	8,646	0	2,292	6,354	0
Total General Obligation Bonds	450,288	7,243	116,177	341,354	110,000
<u>Net Pension Liability:</u>					
STRS	11,643,822	0	3,256,805	8,387,017	0
SERS	3,130,626	0	542,315	2,588,311	0
Total Net Pension Liability	14,774,448	0	3,799,120	10,975,328	0
<u>Net OPEB Liability:</u>					
STRS	1,860,348	0	482,839	1,377,509	0
SERS	1,238,027	0	54,912	1,183,115	0
Total Net OPEB Liability	3,098,375	0	537,751	2,560,624	0
Compensated Absences	614,733	322,416	218,594	718,555	47,519
Total Governmental Activities Long-Term Obligations	\$18,937,844	\$329,659	\$4,671,642	\$14,595,861	\$157,519

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.

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$110,000	\$9,305	\$119,305
2020	110,000	5,625	115,625
2021	115,000	1,893	116,893
Total	<u>\$335,000</u>	<u>\$16,823</u>	<u>\$351,823</u>

There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds: the General Fund and the Food Service, Early Childhood Education, Title VI, Title I and Title II Special Revenue funds. For Additional information related to the net pension/OPEB liability see Note 11 and Note 12. Compensated absences will be paid from the General Fund.

The overall legal debt margin was \$7,263,647 with an unvoted debt margin of \$80,135, and an Energy Conservation debt margin of \$571,216 at June 30, 2018.

NOTE 15 - INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2018, consist of the following individual interfund receivable and payable:

	Receivable
	<u>General Fund</u>
Payable	
Nonmajor Governmental Funds	<u>\$1,459</u>

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.

Transfers made during the fiscal year ended June 30, 2018, were as follows:

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

		Transfers From
		<u>General Fund</u>
Transfers To	Nonmajor	
	Governmental Funds	<u>\$71,966</u>

General Fund transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were made from the General Fund to the Food Service Fund.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL

Jointly Governed Organizations

Metropolitan Educational Technology Association (META)

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium and a regional council of governments. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META’s Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District’s degree of control is limited to its representation on the Board. The School District paid META \$49,463 for services provided during the fiscal year. Financial information can be obtained from 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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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 2018, 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, Green, Manchester, Minford, New Boston, 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 budgeting, 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.

As of July 1, 2017, the Southern Ohio Academy's Sponsor chose not to renew the sponsor agreement. After attempts to find a new sponsor were unsuccessful, at the September 15, 2017, Board meeting, the governing board of the Academy voted to proceed with the closure of the Academy due to the inability to find a sponsor.

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 self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, Ohio Healthcare Plan, 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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

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, Charles Leboeuf CPA, MCM CPAs & Advisors, 3536 Edwards Road, Cincinnati, Ohio 45208.

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 17 - 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, 2017	\$0
Current Fiscal Year Set-aside Requirement	159,496
Current Fiscal Year Offsets	(151,913)
Qualifying Disbursements	(7,583)
Set-aside Balance as of June 30, 2018	<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.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 18 - 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 below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Nonspendable:</i>			
Prepays	\$17,324	\$4,061	\$21,385
Inventory	5,284	94	5,378
Unclaimed Monies	3,028	0	3,028
<i>Total Nonspendable</i>	<u>25,636</u>	<u>4,155</u>	<u>29,791</u>
<i>Restricted for:</i>			
Debt Payment	0	236,491	236,491
Permanent Improvements	0	143,654	143,654
Athletics	0	60,102	60,102
Capital Improvements	0	120,809	120,809
School Facilities Maintenance	0	247,454	247,454
<i>Total Restricted</i>	<u>0</u>	<u>808,510</u>	<u>808,510</u>
<i>Assigned to:</i>			
Purchases on Order	222,809	0	222,809
Principal's Fund	16,572	0	16,572
Morning Mall Program	0	4,669	4,669
<i>Total Assigned</i>	<u>239,381</u>	<u>4,669</u>	<u>244,050</u>
<i>Unassigned (Deficit):</i>	<u>5,413,579</u>	<u>(93,651)</u>	<u>5,319,928</u>
<i>Total Fund Balances</i>	<u><u>\$5,678,596</u></u>	<u><u>\$723,683</u></u>	<u><u>\$6,402,279</u></u>

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

BLOOM-VERNON LOCAL SCHOOL DISTRICT

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

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional 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, 2018.

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	\$264,573
Nonmajor Governmental Funds	18,035
Total	<u><u>\$282,608</u></u>

NOTE 21 – SUBSEQUENT EVENTS

On September 19, 2018, the School District entered into a contract with Dynamix Energy Services, LLC for the amount of \$999,950 for the purpose of energy and controls improvements.

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 Five Fiscal Years (1) *

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04332060%	0.04277350%	0.04354200%	0.03949900%	0.03949900%
School District's Proportionate Share of the Net Pension Liability	\$2,588,311	\$3,130,626	\$2,484,550	\$1,999,022	\$2,348,879
School District's Covered Payroll	\$1,412,121	\$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	183.29%	236.11%	190.38%	196.85%	223.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.04408460%	0.04343390%
School District's Proportionate Share of the Net OPEB Liability	\$1,183,115	\$1,238,027
School District's Covered Payroll	\$1,412,121	\$1,325,929
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	83.78%	93.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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 Five Fiscal Years (1) *

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03530600%	0.03478570%	0.03567445%	0.03722417%	0.03722417%
School District's Proportionate Share of the Net Pension Liability	\$8,387,017	\$11,643,822	\$9,859,375	\$9,054,205	\$10,785,311
School District's Covered-Employee Payroll	\$3,917,436	\$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	214.09%	317.23%	262.56%	237.19%	274.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03530600%	0.03478570%
School District's Proportionate Share of the Net OPEB Liability	\$1,377,509	\$1,860,348
School District's Covered Payroll	\$3,917,436	\$3,670,479
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.16%	50.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$200,929	\$197,697	\$185,630	\$172,007
Contributions in Relation to the Contractually Required Contribution	<u>(200,929)</u>	<u>(197,697)</u>	<u>(185,630)</u>	<u>(172,007)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,488,363	\$1,412,121	\$1,325,929	\$1,305,064
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (2)	32,667	24,602	22,354	34,095
Contributions in Relation to the Contractually Required Contribution	<u>(32,667)</u>	<u>(24,602)</u>	<u>(22,354)</u>	<u>(34,095)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.19%</u>	<u>1.74%</u>	<u>1.69%</u>	<u>2.61%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.69%</u>	<u>15.74%</u>	<u>15.69%</u>	<u>15.79%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$140,749	\$145,354	\$150,055	\$150,806	\$174,200	\$115,543
<u>(140,749)</u>	<u>(145,354)</u>	<u>(150,055)</u>	<u>(150,806)</u>	<u>(174,200)</u>	<u>(115,543)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,015,504	\$1,050,244	\$1,115,654	\$1,199,729	\$1,286,557	\$1,174,213
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
21,759	21,776	22,874	33,761	23,110	67,070
<u>(21,759)</u>	<u>(21,776)</u>	<u>(22,874)</u>	<u>(33,761)</u>	<u>(23,110)</u>	<u>(67,070)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.14%</u>	<u>2.07%</u>	<u>2.05%</u>	<u>2.81%</u>	<u>1.80%</u>	<u>5.71%</u>
<u>16.00%</u>	<u>15.91%</u>	<u>15.50%</u>	<u>15.38%</u>	<u>15.34%</u>	<u>15.55%</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$565,278	\$548,441	\$513,867	\$525,720
Contributions in Relation to the Contractually Required Contribution	<u>(565,278)</u>	<u>(548,441)</u>	<u>(513,867)</u>	<u>(525,720)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$4,037,700	\$3,917,436	\$3,670,479	\$3,755,143
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$530,549	\$511,027	\$503,633	\$497,162	\$501,300	\$548,182
<u>(530,549)</u>	<u>(511,027)</u>	<u>(503,633)</u>	<u>(497,162)</u>	<u>(501,300)</u>	<u>(548,182)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,817,207	\$3,930,977	\$3,874,100	\$3,824,323	\$3,856,154	\$4,216,785
13.90%	13.00%	13.00%	13.00%	13.00%	13.00%
\$38,172	\$39,310	\$38,741	\$38,243	\$38,562	\$42,168
<u>(38,172)</u>	<u>(39,310)</u>	<u>(38,741)</u>	<u>(38,243)</u>	<u>(38,562)</u>	<u>(42,168)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.90%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions - STRS

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

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

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

BLOOM-VERNON LOCAL SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

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

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

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

BLOOM VERNON LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2018

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	2018/2017	10.553	\$0	\$121,130	\$0	\$121,130	\$0
National School Lunch Program	2018/2017	10.555	0	189,059	26,548	189,059	26,548
<i>Total Nutrition Cluster</i>			0	310,189	26,548	310,189	26,548
Total U.S. Department of Agriculture			0	310,189	26,548	310,189	26,548
<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	24,761	0	32,929	0
Title I Grants to Local Educational Agencies	2018	84.010	0	160,012	0	152,213	0
<i>Total Title I</i>			0	184,773	0	185,142	0
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	2017	84.027	0	17,101	0	22,775	0
Special Education - Grants to States (IDEA Part B)	2018	84.027	0	204,416	0	196,731	0
<i>Total Special Education Cluster</i>			0	221,517	0	219,506	0
Rural Education	2017	84.358	0	4,560	0	4,560	0
Rural Education	2018	84.358	0	18,610	0	18,610	0
<i>Total Rural Education</i>			0	23,170	0	23,170	0
Improving Teacher Quality	2017	84.367	0	8,397	0	11,118	0
Improving Teacher Quality	2018	84.367	0	26,234	0	25,094	0
<i>Total Improving Teacher Quality</i>			0	34,631	0	36,212	0
Total U.S. Department of Education			0	464,091	0	464,030	0
Total Federal Financial Assistance			\$0	\$774,280	\$26,548	\$774,219	\$26,548

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, 2018

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, 2018. 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, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 17, 2018.

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

December 17, 2018

**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, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

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 programs. 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 programs identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2018.

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

December 17, 2018

BLOOM VERNON LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2018

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 CFDA # 84.027 Special Education 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.

OHIO AUDITOR OF STATE KEITH FABER



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 5, 2019**