



OHIO AUDITOR OF STATE
KEITH FABER



**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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PIKE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Scioto Valley Local School District
Pike County
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 21 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of the 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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2019

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Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

FINANCIAL HIGHLIGHTS

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

- Net position of governmental activities increased \$6,437,082.
- General revenues accounted for \$13,578,267 in revenue or 76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,170,317 or 24% of total revenues of \$17,758,584.
- The School District had \$11,251,611 in expenses related to governmental activities; only \$4,170,317 of these expenses were offset by program specific charges for services and sales, grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

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

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

- In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 11. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating revenues over (under) operating expenses and changes in net position. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for its self-insurance program for employee medical and dental claims. This fund is reported using the accrual basis of accounting.

Fiduciary Funds The School District's fiduciary fund is an agency fund. The School District's fiduciary fund is reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities 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 these funds are used for their intended purposes. 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.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1
 Net Position
 Governmental Activities

| | 2018 | 2017* |
|---|---------------|---------------|
| Assets: | | |
| Current and Other Assets | \$ 13,758,024 | \$ 13,376,933 |
| Capital Assets, Net | 16,152,303 | 17,125,419 |
| Total Assets | 29,910,327 | 30,502,352 |
| Deferred Outflows of Resources: | | |
| Pensions and OPEB | 5,732,130 | 5,308,665 |
| Total Deferred Outflows of Resources | 5,732,130 | 5,308,665 |
| Liabilities: | | |
| Current and Other Liabilities | 1,650,798 | 1,895,519 |
| Long-Term Liabilities: | | |
| Due Within One Year | 186,796 | 187,386 |
| Due in More than One Year: | | |
| Net Pension Liabilities | 17,069,059 | 24,457,448 |
| Net OPEB Liabilities | 3,869,913 | 5,016,364 |
| Other Amounts | 1,461,787 | 1,529,520 |
| Total Liabilities | 24,238,353 | 33,086,237 |
| Deferred Inflows of Resources | | |
| Pensions and OPEB | 1,893,441 | 62,955 |
| Property Taxes not Levied to Finance the Current Year | 3,025,336 | 2,613,580 |
| Total Deferred Inflows of Resources | 4,918,777 | 2,676,535 |
| Net Position: | | |
| Net Investment in Capital Assets | 15,334,213 | 16,172,521 |
| Restricted | 1,222,151 | 1,286,697 |
| Unrestricted | (10,071,037) | (17,410,973) |
| Total Net Position | \$ 6,485,327 | \$ 48,245 |

* As restated, see Note 21 for additional information.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 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.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the 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 \$5,030,595 to \$48,245.

Total net position of the School District as a whole increased \$6,437,082. The increase to current and other assets is primarily due to an increase in cash and taxes receivable. Capital assets, net decreased due to current year depreciation expense and deletions, which were partially offset by current year additions. Deferred outflows of resources increased primarily to pension and OPEB activity. Current and other liabilities decreased due to a decrease in claims and intergovernmental payable. Long-term liabilities decreased primarily due to net pension and OPEB liabilities. Deferred inflows of resources increased due primarily to pension and OPEB activity.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Table 2
Changes in Net Position

| | Governmental Activities | |
|---|----------------------------|---------------------|
| | 2018 | 2017* |
| Revenues | | |
| Program Revenues | | |
| Charges for Services and Sales | \$ 1,203,101 | \$ 1,006,255 |
| Operating Grants and Contributions | 2,967,216 | 2,837,357 |
| Capital Grants and Contributions | - | 50,000 |
| Total Program Revenues | <u>4,170,317</u> | <u>3,893,612</u> |
| General Revenues | | |
| Property Taxes | 2,837,054 | 2,892,505 |
| Grants and Entitlements not Restricted | 10,594,669 | 11,147,654 |
| Gifts and Donations not Restricted | 13,358 | 15,131 |
| Investment Earnings | 25 | 63,922 |
| Decrease in Fair Value of Investments | (5,326) | - |
| Gain on Sale of Capital Assets | 8,000 | - |
| Miscellaneous | 130,487 | 79,213 |
| Total General Revenues | <u>13,578,267</u> | <u>14,198,425</u> |
| Total Revenues | <u>17,748,584</u> | <u>18,092,037</u> |
| Program Expenses | | |
| Instruction: | | |
| Regular | 2,603,707 | 7,756,191 |
| Special | 1,748,547 | 3,161,805 |
| Vocational | 61,288 | 75,435 |
| Other | 13,486 | 32,249 |
| Support Services: | | |
| Pupil | 482,382 | 994,060 |
| Instructional Staff | 202,765 | 485,453 |
| Board of Education | 15,262 | 20,189 |
| Administration | 1,876,777 | 2,506,007 |
| Fiscal | 404,330 | 465,157 |
| Operation and Maintenance of Plant | 1,723,440 | 1,942,334 |
| Pupil Transportation | 895,544 | 1,094,192 |
| Central | 119,590 | 142,875 |
| Operation of Non-Instructional Services | 668,316 | 731,949 |
| Extracurricular Activities | 329,217 | 497,495 |
| Intergovernmental | 74,884 | 71,887 |
| Interest and Fiscal Charges | 32,076 | 34,839 |
| Total Expenses | <u>11,251,611</u> | <u>20,012,117</u> |
| Special Item | (59,891) | - |
| Increase(Decrease) in Net Position | 6,437,082 | (1,920,080) |
| Net Position, Beginning of Year - As Restated | <u>48,245</u> | <u>6,950,675</u> |
| Net Position, End of Year | <u>\$ 6,485,327</u> | <u>\$ 5,030,595</u> |

* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 21 for additional information.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Charges for sales and services increased due an increase in tuition and fees. Operating grants and contributions increased due to increased monies received for the Title VI-B and Title I programs, which was partially offset be a decrease in Miscellaneous Grant programs. Capital grants and contributions decreased due to donation received by the School District in the prior year. Interest revenue decreased due to market value changes of investments of the School District. Expenses decreased as a result of pension and OPEB activity.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
 Governmental Activities

| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | 2018 | | 2017* | |
| Program Expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 2,603,707 | \$ 2,310,350 | \$ 7,756,191 | \$ 7,339,310 |
| Special | 1,748,547 | (149,866) | 3,161,805 | 1,315,118 |
| Vocational | 61,288 | 42,482 | 75,435 | 61,100 |
| Other | 13,486 | 11,710 | 32,249 | 30,757 |
| Support Services: | | | | |
| Pupil | 482,382 | 418,865 | 994,060 | 923,263 |
| Instructional Staff | 202,765 | 52,245 | 485,453 | 364,933 |
| Board of Education | 15,262 | 13,252 | 20,189 | 19,255 |
| Administration | 1,876,777 | 1,624,352 | 2,506,007 | 2,385,465 |
| Fiscal | 404,330 | 349,857 | 465,157 | 442,077 |
| Operation and Maintenance of Plant | 1,723,440 | 1,410,639 | 1,942,334 | 1,747,259 |
| Pupil Transportation | 895,544 | 787,762 | 1,094,192 | 1,047,505 |
| Central | 119,590 | 99,478 | 142,875 | 131,917 |
| Operation of Non-Instructional Services | 668,316 | (17,198) | 731,949 | 7,302 |
| Extracurricular Activities | 329,217 | 90,794 | 497,495 | 257,747 |
| Intergovernmental | 74,884 | 4,496 | 71,887 | 10,658 |
| Interest and Fiscal Charges | 32,076 | 32,076 | 34,839 | 34,839 |
| Total | <u>\$ 11,251,611</u> | <u>\$ 7,081,294</u> | <u>\$20,012,117</u> | <u>\$ 16,118,505</u> |

* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 21 for additional information.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$18,493,488 and expenditures and other financing uses of \$18,409,795. The School District remains financially stable in terms of healthy carryovers, ability to pay bills, and has no current operating levy needs.

The fund balance of the General Fund increased \$112,639. This fund balance increase is due to revenues exceeding expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2018, the School District amended its General Fund budget for revenues and expenditures.

For the General Fund, the original estimate revenues were \$117,266 above final estimated revenues of \$15,713,628. The decrease to estimates were for intergovernmental revenues, which was partially offset by an increase in estimates for tuition and fees. For the General Fund, final budget basis expenditures were \$15,733,925, which were below original estimates of \$17,172,248. The decrease was due to a decrease in regular instruction and operation of maintenance of plant.

The School District's ending unobligated General Fund cash balance was \$7,311,581.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had \$16,152,303 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4
 Capital Assets
 (Net of Depreciation)

| | Governmental Activities | |
|----------------------------|-------------------------|---------------|
| | 2018 | 2017 |
| Land and Land Improvements | \$ 1,712,615 | \$ 1,901,858 |
| Buildings and Improvements | 13,211,303 | 14,119,960 |
| Furniture and Equipment | 754,723 | 555,791 |
| Vehicles | 381,502 | 452,663 |
| Infrastructure | 92,160 | 95,147 |
| Totals | \$ 16,152,303 | \$ 17,125,419 |

Changes are a result of current year additions, deletions, and depreciation.

Scioto Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Debt

At June 30, 2018, the School District had general obligation refunding bonds outstanding of \$295,000, of which \$70,000 is due within one year. The bonds were issued to refund the classroom facilities general obligation bonds for school construction. The School District also had a capital lease obligation outstanding of \$523,090 of which \$60,717 is due within one year. The lease proceeds were used to finance the installation, construction and repair of energy conservation equipment. For additional information on debt, see Notes 13 and 14 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Megan Williams, Treasurer, at Scioto Valley Local School District, P.O. Box 600, Piketon, Ohio 45661.

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

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Current Assets: | |
| Equity in Pooled Cash and Investments | \$ 9,407,137 |
| Cash with Fiscal Agents | 20,000 |
| Accrued Interest Receivable | 20,556 |
| Account Receivable | 4,741 |
| Intergovernmental Receivable | 562,826 |
| Prepaid Items | 36,783 |
| Property Taxes Receivable | 3,705,981 |
| Noncurrent Assets: | |
| Non-Depreciable Capital Assets | 830,500 |
| Depreciable Capital Assets, Net | 15,321,803 |
| <i>Total Assets</i> | <i>29,910,327</i> |
| Deferred Outflows of Resources | |
| Pension | 5,561,169 |
| OPEB | 170,961 |
| <i>Total Deferred Outflows of Resources</i> | <i>5,732,130</i> |
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | 54,552 |
| Accrued Wages and Benefits Payable | 1,214,656 |
| Accrued Interest Payable | 988 |
| Matured Bonds and Interest Payable | 20,000 |
| Claims Payable | 150,000 |
| Intergovernmental Payable | 210,602 |
| Noncurrent Liabilities: | |
| Long-Term Liabilities: | |
| Due Within One Year | 186,796 |
| Due In More Than One Year | |
| Net Pension Liability (See Note 10) | 17,069,059 |
| Net OPEB Liability (See Note 11) | 3,869,913 |
| Other Amounts Due in More Than One Year | 1,461,787 |
| <i>Total Liabilities</i> | <i>24,238,353</i> |
| Deferred Inflows of Resources | |
| Pension | 1,276,681 |
| OPEB | 616,760 |
| Property Taxes not Levied to Finance Current Year Operations | 3,025,336 |
| <i>Total Deferred Inflows of Resources</i> | <i>4,918,777</i> |
| Net Position | |
| Net Investment in Capital Assets | 15,334,213 |
| Restricted for: | |
| Capital Projects | 556,540 |
| Debt Service | 320,819 |
| Classroom Facilities and Maintenance | 181,920 |
| Other Purposes | 112,528 |
| Set Asides | 50,344 |
| Unrestricted (Deficit) | (10,071,037) |
| <i>Total Net Position</i> | <i>\$ 6,485,327</i> |

See accompanying notes to the basic financial statements.

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

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|--------------------------------------|---------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$ 2,603,707 | \$ 209,163 | \$ 84,194 | \$ (2,310,350) |
| Special | 1,748,547 | 125,572 | 1,772,841 | 149,866 |
| Vocational | 61,288 | 8,070 | 10,736 | (42,482) |
| Other | 13,486 | 1,776 | - | (11,710) |
| Support Services: | | | | |
| Pupil | 482,382 | 63,517 | - | (418,865) |
| Instructional Staff | 202,765 | 6,528 | 143,992 | (52,245) |
| Board of Education | 15,262 | 2,010 | - | (13,252) |
| Administration | 1,876,777 | 252,425 | - | (1,624,352) |
| Fiscal | 404,330 | 52,656 | 1,817 | (349,857) |
| Operation and Maintenance of Plant | 1,723,440 | 196,929 | 115,872 | (1,410,639) |
| Pupil Transportation | 895,544 | 107,782 | - | (787,762) |
| Central | 119,590 | 15,036 | 5,076 | (99,478) |
| Operation of Non-Instructional | | | | |
| Services | 668,316 | 35,608 | 649,906 | 17,198 |
| Extracurricular Activities | 329,217 | 126,029 | 112,394 | (90,794) |
| Intergovernmental | 74,884 | - | 70,388 | (4,496) |
| Interest and Fiscal Charges | 32,076 | - | - | (32,076) |
| <i>Total Governmental Activities</i> | <u>\$ 11,251,611</u> | <u>\$ 1,203,101</u> | <u>\$ 2,967,216</u> | <u>(7,081,294)</u> |
| General Revenues | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 2,790,033 |
| Classroom Facilities Maintenance | | | | 47,021 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 10,594,669 |
| Gifts and Donations not Restricted to Specific Programs | | | | 13,358 |
| Gain on Sale of Capital Assets | | | | 8,000 |
| Decrease in Fair Value of Investments | | | | (5,326) |
| Investment Earnings | | | | 25 |
| Miscellaneous | | | | 130,487 |
| <i>Total General Revenues</i> | | | | <u>13,578,267</u> |
| Special Item | | | | <u>(59,891)</u> |
| <i>Change in Net Position</i> | | | | 6,437,082 |
| <i>Net Position Beginning of Year - As Restated, See Note 21</i> | | | | <u>48,245</u> |
| <i>Net Position End of Year</i> | | | | <u>\$ 6,485,327</u> |

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2018

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Investments | \$ 7,419,021 | \$ 1,135,817 | \$ 8,554,838 |
| Cash with Fiscal Agents | - | 20,000 | 20,000 |
| Receivables: | | | |
| Accrued Interest | 20,556 | - | 20,556 |
| Property Taxes | 3,644,917 | 61,064 | 3,705,981 |
| Accounts | 2,160 | 2,581 | 4,741 |
| Prepaid Items | 35,916 | 867 | 36,783 |
| Intergovernmental | 314,827 | 247,999 | 562,826 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Investments | 50,344 | - | 50,344 |
| <i>Total Assets</i> | <u>\$ 11,487,741</u> | <u>\$ 1,468,328</u> | <u>\$ 12,956,069</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$ 50,497 | \$ 4,055 | \$ 54,552 |
| Accrued Wages and Benefits Payable | 1,045,432 | 169,224 | 1,214,656 |
| Matured Bonds and Interest Payable | - | 20,000 | 20,000 |
| Intergovernmental Payable | 181,102 | 29,500 | 210,602 |
| <i>Total Liabilities</i> | <u>1,277,031</u> | <u>222,779</u> | <u>1,499,810</u> |
| Deferred Inflows of Resources | | | |
| Property taxes not levied to finance current year operations | 2,970,130 | 55,206 | 3,025,336 |
| Unavailable Revenue - Delinquent Taxes | 635,966 | 5,282 | 641,248 |
| Unavailable Revenue - Grants | - | 178,995 | 178,995 |
| <i>Total Deferred Inflows of Resources</i> | <u>3,606,096</u> | <u>239,483</u> | <u>3,845,579</u> |
| Fund Balances | | | |
| Nonspendable | 35,916 | 867 | 36,783 |
| Restricted | 50,344 | 1,055,206 | 1,105,550 |
| Committed | - | 50,000 | 50,000 |
| Assigned | 207,588 | - | 207,588 |
| Unassigned (Deficit) | 6,310,766 | (100,007) | 6,210,759 |
| <i>Total Fund Balances</i> | <u>6,604,614</u> | <u>1,006,066</u> | <u>7,610,680</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 11,487,741</u> | <u>\$ 1,468,328</u> | <u>\$ 12,956,069</u> |

See accompanying notes to the basic financial statements.

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

| | | |
|--|--------------|--------------------|
| Total Governmental Fund Balances | | \$7,610,680 |
| Amounts reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 16,152,303 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | |
| Taxes | 641,248 | |
| Intergovernmental | 178,995 | |
| Total | 820,243 | 820,243 |
| The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | 5,732,130 | |
| Deferred inflows of resources related to pensions | (1,893,441) | |
| Net Pension Liability | (17,069,059) | |
| Net OPEB Liability | (3,869,913) | |
| Total | (17,100,283) | (17,100,283) |
| An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | 651,955 |
| Long-term liabilities, including bonds, capital leases, accrued interest, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Accrued Interest Payable | (988) | |
| Compensated Absences | (830,493) | |
| Capital Lease Obligations | (523,090) | |
| General Obligation Refunding Bonds | (295,000) | |
| Total | (1,649,571) | (1,649,571) |
| Net Position of Governmental Activities | | \$6,485,327 |

See accompanying notes to the basic financial statements.

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

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Taxes | \$ 2,748,537 | \$ 51,240 | \$ 2,799,777 |
| Intergovernmental | 11,581,722 | 2,034,092 | 13,615,814 |
| Investment Earnings | - | 25 | 25 |
| Decrease in Fair Value of Investments | (5,326) | - | (5,326) |
| Rent | 25,954 | - | 25,954 |
| Tuition and Fees | 1,006,303 | - | 1,006,303 |
| Extracurricular Activities | 21,971 | 109,126 | 131,097 |
| Gifts and Donations | 13,358 | 5,980 | 19,338 |
| Customer Sales and Services | - | 39,747 | 39,747 |
| Miscellaneous | 129,834 | 653 | 130,487 |
| <i>Total Revenues</i> | <u>15,522,353</u> | <u>2,240,863</u> | <u>17,763,216</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 5,720,897 | 89,570 | 5,810,467 |
| Special | 2,151,485 | 836,986 | 2,988,471 |
| Vocational | 64,610 | - | 64,610 |
| Other | 13,486 | - | 13,486 |
| Support Services: | | | |
| Pupil | 897,903 | - | 897,903 |
| Instructional Staff | 352,109 | 153,189 | 505,298 |
| Board of Education | 17,538 | - | 17,538 |
| Administration | 2,474,029 | - | 2,474,029 |
| Fiscal | 435,873 | 1,933 | 437,806 |
| Operation and Maintenance of Plant | 1,621,955 | 144,530 | 1,766,485 |
| Pupil Transportation | 895,592 | - | 895,592 |
| Central | 129,376 | 5,400 | 134,776 |
| Operation of Non-Instructional Services | 2,545 | 692,384 | 694,929 |
| Extracurricular Activities | 282,754 | 119,573 | 402,327 |
| Intergovernmental | - | 74,884 | 74,884 |
| Capital Outlay | 53,649 | 288,171 | 341,820 |
| Debt Service: | | | |
| Principal | 69,808 | 65,000 | 134,808 |
| Interest and Fiscal Charges | 18,375 | 13,919 | 32,294 |
| <i>Total Expenditures</i> | <u>15,201,984</u> | <u>2,485,539</u> | <u>17,687,523</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>320,369</u> | <u>(244,676)</u> | <u>75,693</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds from Sale of Capital Assets | 8,000 | - | 8,000 |
| Transfers In | - | 722,272 | 722,272 |
| Transfers Out | (215,730) | (506,542) | (722,272) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(207,730)</u> | <u>215,730</u> | <u>8,000</u> |
| Special Item | - | (59,891) | (59,891) |
| <i>Net Change in Fund Balances</i> | 112,639 | (88,837) | 23,802 |
| <i>Fund Balances Beginning of Year</i> | <u>6,491,975</u> | <u>1,094,903</u> | <u>7,586,878</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 6,604,614</u> | <u>\$ 1,006,066</u> | <u>\$ 7,610,680</u> |

See accompanying notes to the basic financial statements.

Scioto Valley 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 | | \$23,802 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.</p> | | |
| Capital Asset Additions | 341,820 | |
| Current Year Depreciation | <u>(1,314,936)</u> | |
| Total | | (973,116) |
| <p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the gain on the disposal of capital assets and the proceeds from the sale of capital assets.</p> | | |
| Proceeds from Sale of Capital Assets | (8,000) | |
| Gain on Disposal of Capital Assets | <u>8,000</u> | |
| Total | | - |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Taxes | 37,277 | |
| Intergovernmental | <u>(59,909)</u> | |
| Total | | (22,632) |
| <p>Repayment of bond and lease principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.</p> | | |
| | | 134,808 |
| <p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p> | | |
| | | 1,235,921 |
| <p>Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension expense in the statement of activities.</p> | | |
| | | 5,891,898 |
| <p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p> | | |
| | | 212,668 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| Increase in Compensated Absences | (66,485) | |
| Decrease in Interest Payable | <u>218</u> | |
| Total | | <u>(66,267)</u> |
| Net Change in Net Position of Governmental Activities | | <u><u>\$6,437,082</u></u> |

See accompanying notes to the basic financial statements.

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget: Positive (Negative)</u> |
|--------------------------------------|-------------------------|---------------------|---------------------|--|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Total Revenues and Other Sources | \$ 15,830,894 | \$ 15,713,628 | \$ 15,713,705 | \$ 77 |
| Total Expenditures and Other Uses | <u>17,172,248</u> | <u>15,733,925</u> | <u>15,733,925</u> | <u>-</u> |
| Net Change in Fund Balance | (1,341,354) | (20,297) | (20,220) | 77 |
| Fund Balance, July 1, 2017 | 6,759,023 | 6,759,023 | 6,759,023 | - |
| Prior Year Encumbrances Appropriated | <u>572,778</u> | <u>572,778</u> | <u>572,778</u> | <u>-</u> |
| Fund Balance, June 30, 2018 | <u>\$ 5,990,447</u> | <u>\$ 7,311,504</u> | <u>\$ 7,311,581</u> | <u>\$ 77</u> |

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fund Net Position
Governmental Activities - Internal Service Fund
June 30, 2018

| | <u>Internal Service Fund</u> |
|---------------------------------------|---|
| Assets | |
| Current Assets: | |
| Equity in Pooled Cash and Investments | \$ <u>801,955</u> |
| <i>Total Assets</i> | <u>801,955</u> |
| Liabilities | |
| Current Liabilities: | |
| Claims Payable | \$ <u>150,000</u> |
| <i>Total Liabilities</i> | <u>150,000</u> |
| Net Position | |
| Unrestricted | <u><u>\$ 651,955</u></u> |

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
*Statement of Revenues, Expenses and
 Changes In Fund Net Position*
 Governmental Activities - Internal Service Fund
 For the Fiscal Year Ended June 30, 2018

| | Internal Service Fund |
|--|----------------------------------|
| Operating Revenues | |
| Charges for Services | \$ 2,869,967 |
| <i>Total Operating Revenues</i> | <i>2,869,967</i> |
| Operating Expenses | |
| Purchased Services | 603,448 |
| Claims Expense | 2,053,851 |
| <i>Total Operating Expenses</i> | <i>2,657,299</i> |
| <i>Net Change in Net Position</i> | 212,668 |
| <i>Net Position at Beginning of Year</i> | 439,287 |
| <i>Net Position at End of Year</i> | \$ 651,955 |

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2018

| | Internal Service Fund |
|---|----------------------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | |
| <i>Cash Flows for Operating Activities:</i> | |
| Cash Received from Transactions with Other Funds | \$ 2,869,967 |
| Cash Payments to Suppliers for Services | (603,448) |
| Cash Payments for Claims | (2,224,897) |
| <i>Net Cash Provided by Operating Activities</i> | 41,622 |
| <i>Net Change in Cash and Cash Equivalents</i> | 41,622 |
| <i>Cash and Cash Equivalents at Beginning of Year</i> | 760,333 |
| <i>Cash and Cash Equivalents at End of Year</i> | \$ 801,955 |
| <i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i> | |
| Operating Income | \$ 212,668 |
| <i>Changes in Liabilities:</i> | |
| Decrease in Claims Payable | (171,046) |
| Total Adjustments | (171,046) |
| <i>Net Cash Provided by Operating Activities</i> | \$ 41,622 |

See accompanying notes to the basic financial statements.

Scioto Valley Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

| | |
|---------------------------------------|-------------------------|
| Assets | |
| Equity in Pooled Cash and Investments | <u>\$ 26,741</u> |
| <i>Total Assets</i> | <u>26,741</u> |
| | |
| Liabilities | |
| Undistributed Monies | <u>26,741</u> |
| <i>Total Liabilities</i> | <u><u>\$ 26,741</u></u> |

See accompanying notes to the basic financial statements.

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Scioto Valley 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

Scioto Valley Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state or federal agencies. This Board controls the School District's four instructional/support facilities staffed by 63 non-certificated employees and 93 certificated full-time teaching personnel who provide services to 1,279 students and other community members.

Scioto Valley Local School District was established in January, 1960 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms. The School District serves an area of approximately 132.54 square miles. It is located in Pike County, including all of the Village of Piketon, Ohio, and portions of Camp Creek, Scioto, Seal, Sunfish, Pee Pee, and Newton Townships.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Village of Piketon
- Parent Teacher Organization
- Ross-Pike County Educational Service District

The School District is associated with three organizations which are defined as jointly governed organizations. These organizations are the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), the Metropolitan Educational Technology Association (META), and the Pike County Career Technology Center. These organizations are presented in Note 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are classified as business-type. However, the School District has no activities that are classified as business-type.

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Funds

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

Internal Service Fund

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

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. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of the proprietary activity.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred inflows/outflows of resources related to delinquent taxes, grants, pensions, OPEB, and the recording of net pension and net OPEB liabilities.

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 the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of 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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditures 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 year-end: property taxes available as an advance, interest, tuition, grants, and fees.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District reports a deferred outflow of resources for pensions and other postemployment benefits. The deferred outflows of resources related to the pensions and other postemployment benefits are explained in Notes 10 and 11. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and intergovernmental receivables which are not collected in the available period and pensions and other postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension and other postemployment benefits are reported on the Statement of Net Position. (See Notes 10 and 11)

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. 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, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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 statement reflect the amounts from the certificate of estimated resources in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

E. Cash and Investments

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 School District records. Each fund's interest in the pool is presented as Equity in Pooled Cash and Investments on the financial statements.

During fiscal year 2018, the School District had investments in money market accounts, commercial paper, federal agency securities and negotiable certificates of deposit.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2018 amounted to \$25 to the other non-major governmental funds.

For purposes of presentation on the financial statements, investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

The School District has \$20,000 in a bank account set aside for matured bonds and interest payable which is recorded as "Cash with Fiscal Agents."

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by State statute to be set-aside by the School District for capital improvements in the amount of \$50,344. See Note 16 for additional information regarding set-asides.

G. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$5,000.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land, are depreciated. Depreciable capital assets are depreciated using the straight-line method over an estimated useful life of 50 years for buildings and improvements, 5 to 15 years for furniture and equipment, 10 to 25 years for land improvements, 5 years for textbooks and library books, 6 to 10 years for vehicles and 50 years for infrastructure.

H. Interfund Activity

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District.

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services to the various funds to cover the costs of the self insurance program. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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. In the General Fund, assigned amounts represent intended uses established by policies of 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 balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

N. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities for food service operations 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.

Of the School District's \$1,222,151 in restricted net position, none is restricted by enabling legislation.

O. Pensions and Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/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.

P. Special Item

The School District's Ohio Facilities Construction Commission (OFCC) project was closed out during the current fiscal year and the remaining funds were returned to the OFCC. The one-time payment has been recorded as a special item in the accompanying financial statements.

NOTE 3 – ACCOUNTABILITY

At June 30, 2018, the Lunchroom, Title VI-B, Title I, and the ATIP Non-major Special Revenue had fund balance deficits of \$33,598, \$16,918, \$45,586, and \$3,905, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis); and
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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

| Net Change in Fund Balance | |
|--|--------------------|
| GAAP Basis | \$ 112,639 |
| Revenue Accruals | 213,609 |
| Expenditure Accruals | (125,095) |
| Perspective Difference: | |
| Activity of Funds Reclassed for GAAP Reporting Purposes | 1,926 |
| Encumbrances | <u>(223,299)</u> |
| Budget Basis | <u>\$ (20,220)</u> |

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,639,712 of the School District's bank balance of \$2,159,712 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments As of June 30, 2018, the School District had the following investments:

| | Fair Value | Less than 12 months | 1-2 Years | 3-5 Years |
|-------------------------------------|--------------------|------------------------|--------------------|--------------------|
| Federal Home Loan Mtg. Assoc. Notes | \$2,178,345 | \$936,723 | \$934,993 | \$306,629 |
| Federal Home Loan Bank Notes | 728,216 | 728,216 | 0 | 0 |
| Federal National Mtg. Assoc. Notes | 1,574,698 | 583,412 | 0 | 991,286 |
| Commercial Paper | 1,479,153 | 1,479,153 | 0 | 0 |
| Negotiable Certificates of Deposit | 1,332,345 | 247,567 | 407,617 | 677,161 |
| Money Market | 42,948 | 42,948 | 0 | 0 |
| Total Investment Portfolio | \$7,335,705 | \$4,018,019 | \$1,342,610 | \$1,975,076 |

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 table identifies the School District's recurring fair value measurements as of June 30, 2018. All investments of the School District are valued using quoted market prices (Level 1 inputs).

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy does not address credit risk beyond the requirements of State law. The School District limits their investments to securities issued by federal government agencies or instrumentalities, certificates of deposits, and money market accounts. Investments in Federal Home Loan Mortgage Association Notes, Federal Home Loan Bank Notes, and Federal National Mortgage Association Notes, were rated AA+ by Standard & Poor's and Aaa by Moody's. Investments in money markets were rated AAAM by Standard & Poor's and Aaa by Moody's. Investments in commercial paper were rated A-1/A-1+ by Standard and Poor's and P-1 by Moody's. The School District's investments in individual marketable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation.

Concentration of credit risk – The School District's investment policy allows investments in: United States Treasury bills, notes, bonds or any other obligations issued by the United States Treasury; bonds, notes, debentures of any other obligations issued by federal government agencies; interim deposits to the extent that they are properly insured and collateralized; bonds and other obligations of the State; no-load money market mutual funds provided that investments in securities are made only through eligible financial institutions; written repurchase agreements; maximum of twenty five percent of the School District's interim funds in commercial paper and/or bankers acceptances of banks that are insured by the FDIC; STAR Ohio; and certificates of deposit.

The School District has invested in securities issued by federal government agencies or instrumentalities, as well as, commercial paper, negotiable certificates of deposit, and money market accounts. Federal Home Loan Mortgage Association Notes comprised 29.7 percent of these investments, Federal Home Loan Bank Notes comprised 9.9 percent, Federal National Mortgage Association Notes comprised 21.5 percent, Commercial Paper comprised 20.2 percent, and Negotiable Certificates of Deposit comprised 18.2 percent. The remaining amount was invested in Money Market accounts.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) 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 thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

| | 2017 Second- Half Collections | | 2018 First- Half Collections | |
|---|----------------------------------|---------|---------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$155,416,320 | 99.69% | \$180,382,070 | 99.73% |
| Public Utility | 483,820 | 0.31% | 473,610 | 0.27% |
| Total Assessed Value | \$155,900,140 | 100.00% | \$180,855,680 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$20.10 | | \$27.60 | |

The School District receives property taxes from Pike County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became 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 available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2018, was \$38,821 in the General Fund and \$576 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018, consisted of property taxes, interest, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

| Fund | Amount |
|---|-----------|
| General Fund | \$314,827 |
| <i>Non-Major Special Revenue Funds:</i> | |
| Title I | 161,062 |
| Lunchroom | 9,673 |
| Early Childhood | 3,918 |
| Title II-A | 11,358 |
| Miscellaneous Federal Grants | 35,359 |
| IDEA Special Education Part B | 26,629 |
| Total Non-Major Funds | 247,999 |
| Total All Funds | \$562,826 |

NOTE 8 - CAPITAL ASSETS

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

| | Ending Balance 06/30/17 | Additions | Deletions | Ending Balance 06/30/18 |
|---|-------------------------------|--------------|-----------|-------------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 830,500 | \$ - | \$ - | \$ 830,500 |
| Total Capital Assets, Not Being Depreciated | 830,500 | - | - | 830,500 |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 4,168,628 | - | - | 4,168,628 |
| Buildings and Improvements | 32,326,728 | - | - | 32,326,728 |
| Furniture and Equipment | 1,889,435 | 341,820 | - | 2,231,255 |
| Vehicles | 2,348,528 | - | (243,543) | 2,104,985 |
| Library Books and Textbooks | 399,872 | - | - | 399,872 |
| Infrastructure | 149,342 | - | - | 149,342 |
| Total Capital Assets, Being Depreciated | 41,282,533 | 341,820 | (243,543) | 41,380,810 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (3,097,270) | (189,243) | - | (3,286,513) |
| Buildings and Improvements | (18,206,768) | (908,657) | - | (19,115,425) |
| Furniture and Equipment | (1,333,644) | (142,888) | - | (1,476,532) |
| Vehicles | (1,895,865) | (71,161) | 243,543 | (1,723,483) |
| Library Books and Textbooks | (399,872) | - | - | (399,872) |
| Infrastructure | (54,195) | (2,987) | - | (57,182) |
| Total Accumulated Depreciation | (24,987,614) | (1,314,936) | 243,543 | (26,059,007) |
| Total Capital Assets Being Depreciated, Net | 16,294,919 | (973,116) | - | 15,321,803 |
| Governmental Activities Capital Assets, Net | \$ 17,125,419 | \$ (973,116) | \$ - | \$ 16,152,303 |

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

| | | |
|---|-----------|------------------|
| Instruction: | | |
| Regular | \$ | 1,017,818 |
| Support Services: | | |
| Administration | | 1,971 |
| Fiscal | | 2,505 |
| Operation and Maintenance of Plant | | 126,040 |
| Pupil Transportation | | 76,995 |
| Operation of Non-Instructional Services | | 8,333 |
| Extracurricular Activities | | 81,274 |
| Total Depreciation Expense | <u>\$</u> | <u>1,314,936</u> |

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Ohio School Plan for property and fleet insurance, professional liability insurance and inland marine coverage. Total coverage amounted to \$59,484,554 with a \$1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District evaluated its insurance coverage and increased the amount of coverage for the current year.

Medical/surgical and dental insurance is offered to employees through a self-insurance program. The claims liability of \$150,000 reported in the Internal Service Fund at June 30, 2018 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

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

| | Balance Beginning of Year | Current Year Claims | Claims Payments | Balance End of Year |
|------|---------------------------------|------------------------|--------------------|---------------------------|
| 2017 | 347,151 | 2,131,119 | 2,157,224 | 321,046 |
| 2018 | 321,046 | 2,053,851 | 2,224,897 | 150,000 |

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability (Continued)

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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 year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

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

The School District's contractually required contribution to SERS was \$272,032 for fiscal year 2018. Of this amount \$4,995 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 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.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS Ohio was \$899,231 for fiscal year 2018. Of this amount \$133,508 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2018 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 projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|--------------------|---------------------|---------------|
| Proportionate Share of the Net Pension Liability - Current Year | 0.0611612% | 0.05647102% | |
| Proportionate Share of the Net Pension Liability - Prior Year | <u>0.0644206%</u> | <u>0.05898021%</u> | |
| Change in Proportionate Share | <u>-0.0032594%</u> | <u>-0.00250919%</u> | |
| Proportion of the Net Pension Liability | \$3,654,247 | \$13,414,812 | \$17,069,059 |
| Pension Expense (Gain) | (\$147,586) | (\$5,121,448) | (\$5,269,034) |

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual economic experience | \$157,266 | \$518,017 | \$675,283 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | 43,043 | 527,765 | 570,808 |
| Changes of assumptions | 188,964 | 2,933,967 | 3,122,931 |
| School District contributions subsequent to the measurement date | <u>330,271</u> | <u>861,876</u> | <u>1,192,147</u> |
| Total | <u>\$719,544</u> | <u>\$4,841,625</u> | <u>\$5,561,169</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual economic experience | \$0 | \$108,118 | \$108,118 |
| Differences between projected and actual investment earnings | 17,345 | 442,704 | 460,049 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | <u>124,541</u> | <u>583,973</u> | <u>708,514</u> |
| Total | <u>\$141,886</u> | <u>\$1,134,795</u> | <u>\$1,276,681</u> |

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$1,192,147 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:

| | SERS | STRS | Total |
|-----------------------------|-----------|-------------|-------------|
| Fiscal Year Ending June 30: | | | |
| 2019 | \$133,264 | \$668,882 | \$802,146 |
| 2020 | 174,003 | 1,274,410 | 1,448,413 |
| 2021 | 25,308 | 807,537 | 832,845 |
| 2022 | (85,188) | 94,125 | 8,937 |
| Total | \$247,387 | \$2,844,954 | \$3,092,341 |

Actuarial Assumptions - SERS

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

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

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

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

| | |
|--|--|
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 2.50 percent |
| Inflation | 3.00 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (Continued)

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% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| School District’s proportionate share of the net pension liability | \$5,071,145 | \$3,654,247 | \$2,467,305 |

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 0% effective July 1, 2017 |
| Payroll Increases | 3.00% |

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

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

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

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

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio’s 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% as of June 30, 2017. 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 the rates described previously. 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 Ohio’s 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% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (Continued)

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 | \$19,229,676 | \$13,414,812 | \$8,516,660 |

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2018, none of the members of the Board of Education has elected Social Security. The Board’s liability is 6.2 percent of wages paid.

NOTE 11 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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 OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including OPEB.

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated 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 \$33,703.

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 \$43,774 for fiscal year 2018.

State Teachers Retirement System

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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 | 0.06532790% | 0.05898021% | |
| Proportion of the Net OPEB Liability Current Measurement Date | <u>0.06210080%</u> | <u>0.05647102%</u> | |
| Change in Proportionate Share | <u>-0.00322710%</u> | <u>-0.00250919%</u> | |
| Proportionate Share of the Net OPEB Liability | \$1,666,622 | \$2,203,291 | \$3,869,913 |
| OPEB Expense (Gain) | \$68,631 | (\$691,495) | (\$622,864) |

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 economic experience | \$0 | \$127,187 | \$127,187 |
| School District contributions subsequent to the measurement date | <u>43,774</u> | <u>0</u> | <u>43,774</u> |
| Total | <u>\$43,774</u> | <u>\$127,187</u> | <u>\$170,961</u> |
| Deferred Inflows of Resources | | | |
| Differences between projected and actual investment earnings | \$4,401 | \$94,174 | \$98,575 |
| Changes of assumptions | 158,154 | 177,482 | 335,636 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | <u>67,527</u> | <u>115,022</u> | <u>182,549</u> |
| Total | <u>\$230,082</u> | <u>\$386,678</u> | <u>\$616,760</u> |

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (continued)

\$43,774 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:

| | SERS | STRS | Total |
|-----------------------------|-------------|-------------|-------------|
| Fiscal Year Ending June 30: | | | |
| 2019 | (\$82,868) | (\$51,096) | (\$133,964) |
| 2020 | (82,868) | (51,096) | (133,964) |
| 2021 | (63,245) | (51,096) | (114,341) |
| 2022 | (1,101) | (51,098) | (52,199) |
| 2023 | 0 | (27,553) | (27,553) |
| Thereafter | 0 | (27,552) | (27,552) |
| Total | (\$230,082) | (\$259,491) | (\$489,573) |

Actuarial Assumptions - SERS

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

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

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

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

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

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

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

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

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

| <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> | |

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

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 | \$2,012,659 | \$1,666,622 | \$1,392,473 |
| | 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 | \$1,352,339 | \$1,666,622 | \$2,082,582 |

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.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

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

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

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return *</u> |
|----------------------|------------------------------|--|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 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 actual rate of return, without net value added by management.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

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 | \$2,957,883 | \$2,203,291 | \$1,606,917 |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| School District's proportionate share of the net OPEB liability | \$1,530,752 | \$2,203,291 | \$3,088,431 |

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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 210 days for all personnel. Upon retirement and after being employed by the School District for three years, payment is made for twenty-five percent for classified employees and twenty-five percent for certified employees of accrued, but unused sick leave credit, up to a maximum of forty-five days.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 12 - EMPLOYEE BENEFITS (continued)

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Guardian Life.

NOTE 13 - LONG-TERM OBLIGATIONS

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

| | Principal Outstanding 06/30/17* | Additions | Deductions | Principal Outstanding 06/30/18 | Due Within One Year |
|--------------------------------|---------------------------------------|-------------------|---------------------|--------------------------------------|------------------------|
| Refunding Bonds - 2005 - 4.25% | \$ 360,000 | \$ - | \$ 65,000 | \$ 295,000 | \$ 70,000 |
| Capital Leases | 592,898 | - | 69,808 | 523,090 | 60,717 |
| Net Pension Liability: | | | | | |
| STRS | 19,742,454 | - | 6,327,642 | 13,414,812 | - |
| SERS | 4,714,994 | - | 1,060,747 | 3,654,247 | - |
| Total Net Pension Liability | <u>24,457,448</u> | <u>-</u> | <u>7,388,389</u> | <u>17,069,059</u> | <u>-</u> |
| Net OPEB Liability: | | | | | |
| STRS | 3,154,277 | - | 950,986 | 2,203,291 | - |
| SERS | 1,862,087 | - | 195,465 | 1,666,622 | - |
| Total Net OPEB Liability | <u>5,016,364</u> | <u>-</u> | <u>1,146,451</u> | <u>3,869,913</u> | <u>-</u> |
| Compensated Absences | <u>764,008</u> | <u>790,347</u> | <u>723,862</u> | <u>830,493</u> | <u>56,079</u> |
| Total Long-Term Obligations | <u>\$ 31,190,718</u> | <u>\$ 790,347</u> | <u>\$ 9,393,510</u> | <u>\$ 22,587,555</u> | <u>\$ 186,796</u> |

*As restated for GASB 75, See Note 21 for additional information.

On June 29, 2005, the Scioto Valley Local School District issued \$975,000 in refunding bonds at an annual interest rate of 4.25%. The bonds were issued for a 16 year period with the final maturity date being December 1, 2021. The bonds are being paid from property tax revenues received in the Bond Retirement Fund.

In connection with refunding bonds, the School District has pledged future tax revenues to repay this debt. However, the Debt Service funds on hand are sufficient to repay these bonds over the life of the refunding bonds.

Compensated absences will be paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant.

The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's voted legal debt margin was \$15,982,011 with an unvoted debt margin of \$18058560 at June 30, 2018.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation debt outstanding June 30, 2018, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|------------------|-----------------|------------------|
| 2019 | \$70,000 | \$11,050 | \$81,050 |
| 2020 | 70,000 | 8,075 | 78,075 |
| 2021 | 75,000 | 4,994 | 79,994 |
| 2022 | 80,000 | 1,700 | 81,700 |
| Totals | <u>\$295,000</u> | <u>\$25,819</u> | <u>\$320,819</u> |

NOTE 14 – LEASE OBLIGATION

During a previous fiscal year, the School District entered into a lease for the installation, construction, and repair of energy conservation equipment. The capital assets under this lease have been capitalized in the amount of \$1,050,000. The lease is being paid from the General Fund. The annual requirements to amortize the lease obligation outstanding as of June 30, 2018 are as follows:

| Year Ending June 30 | Amount |
|---|-------------------|
| 2019 | \$79,092 |
| 2020 | 79,092 |
| 2021 | 79,092 |
| 2022 | 79,092 |
| 2023 | 79,092 |
| 2024-2025 | 256,255 |
| Total | <u>651,715</u> |
| Less: Amount Representing Interest | <u>(128,625)</u> |
| Present Value of Net Minimum Lease Payments | <u>\$ 523,090</u> |

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association (“META”). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$0 for services provided during the fiscal year.

Metropolitan Educational Technology Association - 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 six board members who represent the members of META. The board works with META’s Chief Executive Officer, Chief Operating 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 Council including budgeting, appropriating, contracting and designating management. Each member’s degree of control is limited to its representation on the Board. The School District paid META \$185,054 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

The Pike County Career Technology Center - The Pike County Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Board of Education and two representatives from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Career Technology Center, Tonya Cooper, who serves as Treasurer, at P. O. Box 577,175 Beaver Creek Road, Piketon, Ohio 45661.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 purchase for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

| | Capital Improvements |
|---|-------------------------|
| Set-aside Reserve Balance June 30, 2017 | \$0 |
| Current year set-aside requirement | 240,156 |
| Current year offsets | (109,241) |
| Current Year Qualifying Expenditures | (80,571) |
| Balance Carried Forward to Fiscal Year 2018 | \$50,344 |

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. 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 liability of, the School District.

NOTE 18 – INTERFUND ACTIVITY

Interfund Transfers

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

| <u>Fund</u> | <u>Transfer From</u> | <u>Transfer To</u> |
|-----------------------------------|----------------------|--------------------|
| Major Fund: | | |
| General | \$215,730 | \$0 |
| Non-major Funds: | | |
| Debt Fund | 506,542 | 0 |
| Lunchroom Fund | 0 | 151,425 |
| Permanent Improvement Fund | 0 | 506,542 |
| Athletic Fund | 0 | 18,968 |
| Miscellaneous Federal Grants Fund | 0 | 45,337 |
| Total Non-major Funds | <u>506,542</u> | <u>722,272</u> |
| Total All Funds | <u>\$722,272</u> | <u>\$722,272</u> |

The transfers were made from the General Fund (a major fund) to other funds to provide support for operating activities of those funds. The transfer from the Debt Service Fund to the Permanent Improvement Fund was for the unexpended balance in accordance with Ohio Revised Code Section 5705.14.

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 19 - DEFERRED COMPENSATION

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

NOTE 20 – 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 the fund balance for the major governmental fund and all other governmental funds are presented below:

| Fund Balances | General | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------|--------------------|-----------------------------------|--------------------------------|
| Nonspendable | | | |
| Prepaid Items | \$35,916 | \$867 | \$36,783 |
| Restricted for | | | |
| Other Purposes | \$0 | \$47,174 | \$47,174 |
| Capital Maintenance | 50,344 | 180,673 | 231,017 |
| Debt Services Payments | 0 | 320,819 | 320,819 |
| Capital Improvements | 0 | 506,540 | 506,540 |
| Total Restricted | <u>50,344</u> | <u>1,055,206</u> | <u>1,105,550</u> |
| Committed to | | | |
| Athletic Complex | <u>0</u> | <u>50,000</u> | <u>50,000</u> |
| Assigned to | | | |
| Other Purposes | <u>207,588</u> | <u>0</u> | <u>207,588</u> |
| Total Assigned | <u>207,588</u> | <u>0</u> | <u>207,588</u> |
| Unassigned (Deficit) | <u>6,310,766</u> | <u>(100,007)</u> | <u>6,210,759</u> |
| Total Fund Balances | <u>\$6,604,614</u> | <u>\$1,006,066</u> | <u>\$7,610,680</u> |

NOTE 21 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the School District and certain additional disclosures have been made in the notes to the basic financial statements.

| | |
|--|------------------|
| Net position, July 1, 2017-As previously stated | \$5,030,595 |
| School District Share of Beginning Plan Net OPEB Liability | (5,016,364) |
| School District Share of 2017 Employer Contributions | <u>34,014</u> |
| Net position, July 1, 2017-As restated | <u>\$ 48,245</u> |

Scioto Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 21 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION (continued)

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the School District.

GASB Statement No. 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]). GASB Statement No. 85 did not have an effect on the financial statements of the School District.

NOTE 22 – SIGNIFICANT COMMITMENTS

Encumbrances

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

| | |
|---------------------------|-----------|
| <u>Governmental Funds</u> | |
| General | \$223,299 |

Scioto Valley 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 Years

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total plan pension liability | \$19,588,417,687 | \$19,770,708,121 | \$18,503,280,961 | \$17,881,827,171 | \$ 17,247,161,078 |
| Plan net position | <u>13,613,638,590</u> | <u>12,451,630,823</u> | <u>12,797,184,030</u> | <u>12,820,884,107</u> | <u>11,300,482,029</u> |
| Net pension liability | 5,974,779,097 | 7,319,077,298 | 5,706,096,931 | 5,060,943,064 | 5,946,679,049 |
| School District's proportion of the net pension liability | 0.0611612% | 0.0644206% | 0.0636973% | 0.0610600% | 0.0610600% |
| School District's proportionate share of the net pension liability | \$ 3,654,247 | \$ 4,714,994 | \$ 3,634,630 | \$ 3,090,212 | \$ 3,631,042 |
| School District's covered-employee payroll | \$ 2,399,257 | \$ 2,000,664 | \$ 1,917,564 | \$ 1,774,293 | \$ 2,177,103 |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 152.31% | 235.67% | 189.54% | 174.17% | 166.78% |
| 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 as of the School District's measurement date which is the prior fiscal year.

Scioto Valley 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 Years

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|
| Total plan pension liability | \$ 96,126,440,462 | \$ 100,756,422,489 | \$ 99,014,653,744 | \$ 96,167,057,104 | \$ 94,366,693,720 |
| Plan net position | 72,371,226,119 | 67,283,408,184 | 71,377,578,736 | 71,843,596,331 | 65,392,746,348 |
| Net pension liability | 23,755,214,343 | 33,473,014,305 | 27,637,075,008 | 24,323,460,773 | 28,973,947,372 |
| School District's proportion of the net pension liability | 0.05647102% | 0.05898021% | 0.05746976% | 0.05528601% | 0.05528601% |
| School District's proportionate share of the net pension liability | \$ 13,414,812 | \$ 19,742,454 | \$ 15,882,961 | \$ 13,447,471 | \$ 16,018,539 |
| School District's covered-employee payroll | \$ 6,208,300 | \$ 6,205,850 | \$ 5,996,007 | \$ 5,648,877 | \$ 5,772,669 |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 216.08% | 318.13% | 264.89% | 238.06% | 277.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.29% | 66.78% | 72.09% | 74.71% | 69.30% |

(1) Information prior to 2014 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

Scioto Valley Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Years

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 272,032 | \$ 335,896 | \$ 280,093 | \$ 252,735 | \$ 245,917 | \$ 301,311 | \$ 247,658 | \$ 312,893 | \$ 286,181 | \$ 219,175 |
| Contributions in relation to the contractually required contribution | <u>(272,032)</u> | <u>(335,896)</u> | <u>(280,093)</u> | <u>(252,735)</u> | <u>(245,917)</u> | <u>(301,311)</u> | <u>(247,658)</u> | <u>(312,893)</u> | <u>(286,181)</u> | <u>(219,175)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's covered-employee payroll | \$ 2,015,052 | \$ 2,399,257 | \$ 2,000,664 | \$ 1,917,564 | \$ 1,774,293 | \$ 2,177,103 | \$ 1,841,323 | \$ 2,489,204 | \$ 2,113,597 | \$ 2,227,388 |
| Contributions as a percentage of covered employee payroll | 13.50% | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% |

Scioto Valley Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Years

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 899,231 | \$ 869,162 | \$ 868,819 | \$ 839,441 | \$ 734,354 | \$ 750,447 | \$ 801,823 | \$ 816,407 | \$ 782,496 | \$ 795,262 |
| Contributions in relation to the contractually required contribution | <u>(899,231)</u> | <u>(869,162)</u> | <u>(868,819)</u> | <u>(839,441)</u> | <u>(734,354)</u> | <u>(750,447)</u> | <u>(801,823)</u> | <u>(816,407)</u> | <u>(782,496)</u> | <u>(795,262)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District covered-employee payroll | \$ 6,423,079 | \$ 6,208,300 | \$ 6,205,850 | \$ 5,996,007 | \$ 5,648,877 | \$ 5,772,669 | \$ 6,167,869 | \$ 6,280,054 | \$ 6,019,200 | \$ 6,117,400 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

Scioto Valley 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 Years (1)

| | <u>2018</u> | <u>2017</u> |
|---|--------------------|--------------------|
| Total plan OPEB liability | \$ 3,065,846,821 | \$ 3,220,574,434 |
| Plan net position | <u>382,109,560</u> | <u>370,204,515</u> |
| Net OPEB liability | 2,683,737,261 | 2,850,369,919 |
| School District's proportion of the net OPEB liability | 0.06210080% | 0.06532790% |
| School District's proportionate share of the net OPEB liability | \$ 1,666,622 | \$ 1,862,087 |
| School District's covered-employee payroll | \$ 2,399,257 | \$ 2,000,664 |
| School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 69.46% | 93.07% |
| 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 as of the School District's measurement date which is the prior fiscal year.

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

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Total plan OPEB liability | \$ 7,377,410,000 | \$ 8,533,654,000 |
| Plan net position | <u>3,475,779,000</u> | <u>3,185,628,000</u> |
| Net OPEB liability | 3,901,631,000 | 5,348,026,000 |
| School District's proportion of the net OPEB liability | 0.05647102% | 0.05898021% |
| School District's proportionate share of the net OPEB liability | \$ 2,203,291 | \$ 3,154,277 |
| School District's covered-employee payroll | \$ 6,208,300 | \$ 6,205,850 |
| School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 35.49% | 50.83% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.11% | 37.33% |

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

Scioto Valley Local School District
Required Supplementary Information
Schedule of School District Contributions for OPEB
School Employees Retirement System of Ohio
Last Three Years (1)

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 43,774 | \$ 34,014 | \$ 33,248 |
| Contributions in relation to the contractually required contribution | <u>(43,774)</u> | <u>(34,014)</u> | <u>(33,248)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's covered-employee payroll | \$ 2,015,052 | \$ 2,399,257 | \$ 2,000,664 |
| Contributions as a percentage of covered employee payroll | 2.17% | 1.42% | 1.66% |

(1) Information prior to 2016 is not available.

Scioto Valley Local School District
Required Supplementary Information
Schedule of School District Contributions for OPEB
State Teachers Retirement System of Ohio
Last Three Years (1)

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|--------------|
| Contractually required contribution | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District covered-employee payroll | \$ 6,423,079 | \$ 6,208,300 | \$ 6,205,850 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% |

(1) Information prior to 2016 is not available.

**SCIOTO VALLET LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance (Food Distribution): | | | |
| National School Lunch Program | 10.555 | 3L60 | \$42,550 |
| Cash Assistance: | | | |
| National School Breakfast Program | 10.553 | 3L70 | 158,155 |
| National School Lunch Program | 10.555 | 3L60 | <u>339,453</u> |
| Total Child Nutrition Cluster | | | <u>540,158</u> |
| Team Nutrition | 10.574 | | <u>59,595</u> |
| Total U.S. Department of Agriculture | | | <u>599,753</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| Special Education Cluster: | | | |
| IDEA Part B | 84.027 | 3M20-2017 | 48,340 |
| IDEA Part B | 84.027 | 3M20-2018 | 279,456 |
| Total Special Education Cluster | | | <u>327,796</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 3M00-2017 | 67,234 |
| Title I Grants to Local Educational Agencies | 84.010 | 3M00-2018 | 19,750 |
| Title I Grants School Improvement | 84.010 | 3M00-2017 | 428,086 |
| Title I Grants School Improvement | 84.010 | 3M00-2018 | 128,938 |
| Total Title I | | | <u>644,008</u> |
| Supporting Effective Instruction Grant | 84.367 | 3Y60-2017 | 16,124 |
| Supporting Effective Instruction Grant | 84.367 | 3Y60-2018 | 64,850 |
| Total Supporting Effective Instruction Grant | | | <u>80,974</u> |
| Total U.S. Department of Education | | | <u>1,052,778</u> |
| APPALACHIAN REGIONAL COMMISSION | | | |
| Appalachian Regional Development | 23.001 | | <u>181,345</u> |
| Total Appalachian Regional Commission | | | <u>181,345</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$1,833,876</u></u> |

The accompanying notes are an integral part of this schedule.

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE 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 Scioto Valley Local School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Scioto Valley Local School District
Pike County
P.O. Box 600
Piketon, Ohio 45661

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Scioto Valley Local School District, Pike, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2019 wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2019

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Scioto Valley Local School District
Pike County
P.O.Box 600
Piketon, Ohio 45661

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Scioto Valley Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Scioto Valley Local 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 District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419
www.ohioauditor.gov

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2019

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | CFDA: 84.010 Title I and CFDA: 84.367 Supporting Effective Instruction |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | Yes |

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER



SCIOTO VALLEY LOCAL SCHOOL DISTRICT

PIKE 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 19, 2019**