

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2018**

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MONTGOMERY COUNTY
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

Valley View Local School District
Montgomery County
59 Peffley Street
Germantown, Ohio 45327

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 Valley View Local School District, Montgomery 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.

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www.ohioauditor.gov

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 Valley View Local School District, Montgomery County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 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 Pension*. We did not modify our opinion regarding this matter.

Also, as discussed in Note 3 to the financial statements, the Private Purpose Trust Fund beginning net position was restated. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary 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 April 8, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

April 8, 2019

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**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased \$9,448,745 which represents a 41.80% increase from the 2017's restated net position.
- General revenues accounted for \$19,616,611 in revenue or 87.25% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,865,457 or 12.75% for total revenues of \$22,482,068.
- The District had \$13,033,323 in expenses related to governmental activities; only \$2,865,457 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,616,611 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$19,972,603 in revenues and other financing sources and \$20,290,035 in expenditures and other financing uses. During fiscal year 2018, the general fund's fund balance decreased \$317,432 from a fund balance of \$4,230,090 to a fund balance of \$3,912,658.
- The permanent improvement fund had \$922,906 in revenues and \$979,866 in expenditures. During fiscal year 2018, the permanent improvement fund's fund balance decreased \$56,960 from a fund balance of \$353,342 to a fund balance of \$296,382.

Using the Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the permanent improvement fund are reported as a major funds.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities, latchkey and food service operations.

The District's statement of net position and statement of activities can be found on pages 17 and 18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17 - 25 of this report.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-69 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 72 through 85 of this report.

The District as a Whole

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

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**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

	Net Position	
	Governmental	Restated
	Activities 2018	Governmental Activities 2017
<u>Assets</u>		
Current and other assets	\$ 13,216,261	\$ 12,492,059
Capital assets, net	<u>5,098,226</u>	<u>5,245,153</u>
Total assets	<u>18,314,487</u>	<u>17,737,212</u>
<u>Deferred Outflows of Resources</u>		
Pension	8,194,616	6,291,337
OPEB	<u>510,246</u>	<u>43,479</u>
Total deferred outflows of resources	<u>8,704,862</u>	<u>6,334,816</u>
<u>Liabilities</u>		
Current liabilities	2,447,386	2,283,661
Long-term liabilities:		
Due within one year	80,685	105,610
Due in more than one year:		
Net pension liability	23,786,005	31,489,943
Net OPEB liability	5,328,093	6,327,822
Other amounts	<u>1,022,543</u>	<u>1,008,224</u>
Total liabilities	<u>32,664,712</u>	<u>41,215,260</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	5,807,021	4,997,817
Pensions	1,102,175	461,796
OPEB	<u>599,541</u>	<u>-</u>
Total deferred inflows of resources	<u>7,508,737</u>	<u>5,459,613</u>
<u>Net Position</u>		
Net investment in capital assets	5,040,054	5,173,131
Restricted	183,157	89,909
Unrestricted (deficit)	<u>(18,377,311)</u>	<u>(27,865,885)</u>
Total net position (deficit)	<u>\$ (13,154,100)</u>	<u>\$ (22,602,845)</u>

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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 District's proportionate share of each plan's collective:

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$16,318,502) to (\$22,602,845).

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

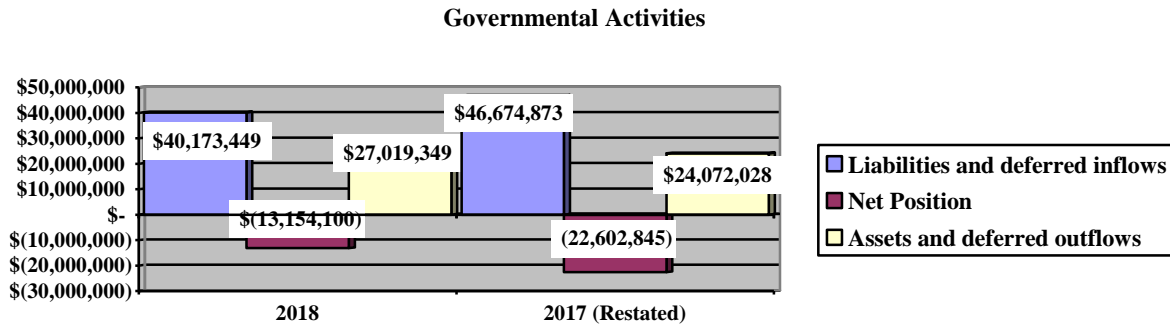
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$13,154,100.

At year-end, capital assets represented 27.84% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2018 was \$5,040,054. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$183,157, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$18,377,311.

The graph below illustrates the governmental activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



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

	Change in Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
Revenues		
Program revenues:		
Charges for services and sales	\$ 982,552	\$ 797,644
Operating grants and contributions	1,882,905	1,981,892
General revenues:		
Property taxes	6,491,198	6,253,590
School district income taxes	3,629,406	3,380,726
Grants and entitlements	9,403,344	9,444,966
Investment earnings	23,554	21,951
Other	69,109	73,898
Total revenues	\$ 22,482,068	\$ 21,954,667

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**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

	Change in Net Position (Continued)	
	Governmental	Restated
	Activities	Governmental
	<u>2018</u>	<u>2017</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,490,816	\$ 10,584,141
Special	899,064	2,505,580
Vocational	9,787	62,885
Other	747,613	812,498
Support services:		
Pupil	2,135,863	2,006,433
Instructional staff	250,365	283,922
Board of education	1,885	5,471
Administration	331,561	1,252,723
Fiscal	61,787	36,075
Business	40,546	55,052
Operations and maintenance	1,585,680	1,986,690
Pupil transportation	1,442,669	1,231,026
Central	27,147	63,091
Operations of non-instructional services		
Other non-instructional services	265,000	258,232
Food service operations	418,370	646,699
Extracurricular activities	319,909	586,255
Interest and fiscal charges	<u>5,261</u>	<u>3,034</u>
Total expenses	<u>13,033,323</u>	<u>22,379,807</u>
Change in net position	9,448,745	(425,140)
Net position (deficit) at beginning of year (restated)	<u>(22,602,845)</u>	<u>N/A</u>
Net position (deficit) at end of year	<u>\$ (13,154,100)</u>	<u>\$ (22,602,845)</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$43,479 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$752,107. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

Total 2018 program expenses under GASB 75	\$ 13,033,323
Negative OPEB expense under GASB 75	752,107
2018 contractually required contributions	<u>114,848</u>
Adjusted 2018 program expenses	13,900,278
Total 2017 program expenses under GASB 45	<u>22,379,807</u>
Decrease in program expenses not related to OPEB	<u>\$ (8,479,529)</u>

Governmental Activities

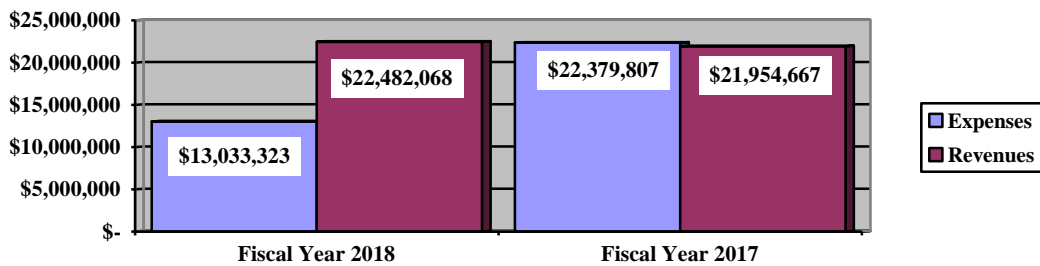
Net position of the District’s governmental activities increased \$9,448,745. Total governmental expenses of \$13,033,323 were offset by program revenues of \$2,865,457 and general revenues of \$19,616,611. Program revenues supported 21.99% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, a school district income tax, and unrestricted grants and entitlements. These revenue sources represent 86.84% of total governmental revenue. Real estate property is reappraised every six years (property values are updated in the third year following each sexennial reappraisal) and the school district income tax rate is 1.25%.

Expenses of the governmental activities decreased \$9,346,484 or 41.76%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$7,251,808) in pension expense and (\$752,107) in OPEB expense mainly due to these benefit changes.

The graph that follows presents the District’s governmental activities revenues and expenses for fiscal year 2018 and 2017.

Governmental Activities - Revenues and Expenses



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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

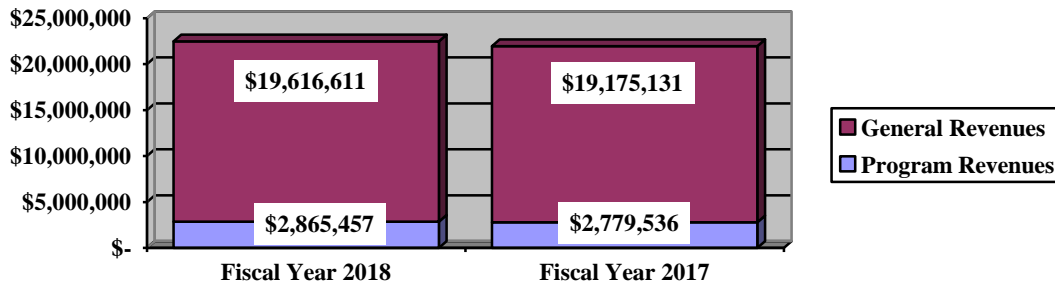
Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses				
Instruction:				
Regular	\$ 4,490,816	\$ 4,123,242	\$ 10,584,141	\$ 10,291,094
Special	899,064	(600,485)	2,505,580	1,024,405
Vocational	9,787	(16,515)	62,885	37,185
Other	747,613	747,613	812,498	812,498
Support services:				
Pupil	2,135,863	2,089,403	2,006,433	1,949,362
Instructional staff	250,365	184,644	283,922	261,806
Board of education	1,885	1,885	5,471	(114)
Administration	331,561	330,183	1,252,723	1,252,723
Fiscal	61,787	60,848	36,075	35,166
Business	40,546	40,546	55,052	55,052
Operations and maintenance	1,585,680	1,559,537	1,986,690	1,960,028
Pupil transportation	1,442,669	1,417,747	1,231,026	1,214,401
Central	27,147	27,147	63,091	63,091
Operations of non-instructional services:				
Other non-instructional services	265,000	265,000	258,232	258,232
Food service operations	418,370	(203,162)	646,699	481
Extracurricular activities	319,909	134,972	586,255	381,827
Interest and fiscal charges	5,261	5,261	3,034	3,034
Total expenses	<u>\$ 13,033,323</u>	<u>\$ 10,167,866</u>	<u>\$ 22,379,807</u>	<u>\$ 19,600,271</u>

The dependence upon tax and other general revenues for governmental activities is apparent as 69.20% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.01%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

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

Governmental Activities - General and Program Revenues



**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

The District's Funds

The District's governmental funds (as presented on page 19) reported a combined fund balance of \$4,274,058 which is less than last year's fund balance of \$4,621,997. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance (Deficit) <u>June 30, 2018</u>	Fund Balance (Deficit) <u>June 30, 2017</u>	<u>Change</u>
General	\$ 3,912,658	\$ 4,230,090	\$ (317,432)
Permanent improvement	296,382	353,342	(56,960)
Other Governmental	<u>65,018</u>	<u>38,565</u>	<u>26,453</u>
Total	<u>\$ 4,274,058</u>	<u>\$ 4,621,997</u>	<u>\$ (347,939)</u>

General Fund

The District's general fund's fund balance decreased \$317,432.

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

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 9,308,991	\$ 8,844,516	\$ 464,475	5.25 %
Tuition	339,286	146,771	192,515	131.17 %
Earnings on investments	23,600	19,012	4,588	24.13 %
Intergovernmental	10,059,333	10,244,620	(185,287)	(1.81) %
Gifts & contributions	4,500	5,000	(500)	(10.00) %
Other revenues	<u>236,784</u>	<u>270,817</u>	<u>(34,033)</u>	<u>(12.57) %</u>
Total	<u>\$ 19,972,494</u>	<u>\$ 19,530,736</u>	<u>\$ 441,758</u>	2.26 %
<u>Expenditures</u>				
Instruction	\$ 12,516,827	\$ 12,530,391	\$ (13,564)	(0.11) %
Support services	7,073,693	6,088,182	985,511	16.19 %
Extracurricular activities	415,265	385,067	30,198	7.84 %
Non-instruction services	265,000	258,232	6,768	2.62 %
Capital outlay	-	78,543	(78,543)	(100.00) %
Debt Service	<u>19,111</u>	<u>9,555</u>	<u>9,556</u>	100.01 %
Total	<u>\$ 20,289,896</u>	<u>\$ 19,349,970</u>	<u>\$ 939,926</u>	4.86 %

Revenues of the general fund increased \$441,758 or 2.26%. The increase in taxes was primarily the result of an increase in income tax revenue. This is due to decreasing unemployment. An increase of \$192,515 in tuition revenue is the result of the District receiving more payments from other districts for tuition during fiscal year 2018.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

Expenditures of the general fund increased \$939,926 or 4.86%. The most significant increase was in the area of support services which increased \$985,511. An increase in debt service expenditures was due to an increase in principal payments on capital leases.

Permanent Improvement Fund

During fiscal year 2018, the permanent improvement fund had \$922,906 in revenues and \$979,866 in expenditures. During fiscal year 2018, the permanent improvement fund balance decreased \$56,960 from a fund balance of \$353,342 to a fund balance of \$296,382.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources of \$19,550,000 were increased to \$19,835,677 in the final budget. Actual revenues and other financing sources were \$19,923,918 which is greater than the final budgeted revenues estimate by \$88,241.

General fund original appropriations of \$20,495,305 were increased to \$20,618,347 in the final budget. Actual budget basis expenditures of \$20,443,903 were \$174,444 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$5,098,226 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2018 balances compared to June 30, 2017:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 405,123	\$ 405,123
Land improvements	1,280,767	1,304,483
Building and improvements	2,207,151	2,099,976
Furniture and equipment	1,088,217	1,294,010
Vehicles	<u>116,968</u>	<u>141,561</u>
Total	<u>\$ 5,098,226</u>	<u>\$ 5,245,153</u>

Capital assets decreased \$146,927 during fiscal year 2018. During fiscal year 2018, the District had \$311,205 in capital asset additions and \$458,132 in depreciation expense.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

Debt Administration

The following table summarizes the capital lease obligation outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Capital lease obligation	\$ 58,172	\$ 72,022

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

Current Financial Related Activities

The District continued to provide excellent services to our students, parents and community in fiscal year 2018 while spending less than the average Ohio school district. The Board of Education and management team have carefully managed general fund budgets in order to minimize the need for additional local support. The District has a low industry base and relies heavily on residential support for local funding. The District also relies on two school district income tax levies that total 1.25%. Both levies were passed as continuous levies on the May 2015 ballot.

The District relies significantly on funding from the State of Ohio due to the low local valuation of primarily residential development. The District suffered losses due to several legislative actions, including HB 95 that reduced revenue for fiscal year 2005 and beyond and HB 66, which overhauled the business taxation system for the State beginning July 1, 2005 and initiated the phase out of the collection of tangible personal property taxes for the District. The future of both State and Federal funding has been difficult to predict and the future of both is unknown.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Laura Sauber, Treasurer, Valley View Local School District, 59 Peffley St., Germantown, Ohio 45327.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 5,061,033
Cash in segregated accounts	4,123
Receivables:	
Property taxes	6,275,551
Income taxes.	1,508,437
Accounts.	93,765
Accrued interest	9,782
Intergovernmental	226,404
Prepayments	34,600
Materials and supplies inventory.	918
Inventory held for resale.	1,648
Capital assets:	
Nondepreciable capital assets	405,123
Depreciable capital assets, net.	4,693,103
Capital assets, net	5,098,226
Total assets.	18,314,487
 Deferred outflows of resources:	
Pension	8,194,616
OPEB	510,246
Total deferred outflows of resources	8,704,862
 Liabilities:	
Accounts payable.	215,515
Accrued wages and benefits payable	1,725,327
Intergovernmental payable	101,533
Pension and postemployment benefits payable.	405,011
Long-term liabilities:	
Due within one year.	80,685
Due in more than one year:	
Net pension liability	23,786,005
Net OPEB liability	5,328,093
Other amounts due in more than one year	1,022,543
Total liabilities	32,664,712
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	5,807,021
Pension	1,102,175
OPEB	599,541
Total deferred inflows of resources	7,508,737
 Net position:	
Net investment in capital assets	5,040,054
Restricted for:	
Federally funded programs	81,887
Student activities	46,326
Other purposes	54,944
Unrestricted (deficit)	(18,377,311)
Total net position (deficit)	\$ (13,154,100)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 4,490,816	\$ 351,671	\$ 15,903	\$ (4,123,242)
Special	899,064	107,887	1,391,662	600,485
Vocational	9,787	-	26,302	16,515
Other	747,613	-	-	(747,613)
Support services:				
Pupil	2,135,863	-	46,460	(2,089,403)
Instructional staff	250,365	-	65,721	(184,644)
Board of education	1,885	-	-	(1,885)
Administration	331,561	-	1,378	(330,183)
Fiscal	61,787	462	477	(60,848)
Business	40,546	-	-	(40,546)
Operations and maintenance	1,585,680	26,143	-	(1,559,537)
Pupil transportation	1,442,669	-	24,922	(1,417,747)
Central	27,147	-	-	(27,147)
Operation of non-instructional services:				
Other non-instructional services	265,000	-	-	(265,000)
Food service operations	418,370	321,958	299,574	203,162
Extracurricular activities	319,909	174,431	10,506	(134,972)
Interest and fiscal charges	5,261	-	-	(5,261)
Total governmental activities	<u>\$ 13,033,323</u>	<u>\$ 982,552</u>	<u>\$ 1,882,905</u>	<u>(10,167,866)</u>

General revenues:

Property taxes levied for:	
General purposes	5,685,567
Capital outlay	805,631
Income taxes levied for:	
General purposes	3,629,406
Grants and entitlements not restricted to specific programs	
	9,403,344
Investment earnings	23,554
Miscellaneous	69,109
Total general revenues	<u>19,616,611</u>
Change in net position	9,448,745
Net position (deficit) at beginning of year (restated)	<u>(22,602,845)</u>
Net position (deficit) at end of year	<u>\$ (13,154,100)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,384,856	\$ 451,329	\$ 224,848	\$ 5,061,033
Cash in segregated accounts	-	-	4,123	4,123
Receivables:				
Property taxes	5,486,548	789,003	-	6,275,551
Income taxes	1,508,437	-	-	1,508,437
Accounts	93,765	-	-	93,765
Accrued interest	9,782	-	-	9,782
Interfund loans	87,300	-	-	87,300
Intergovernmental	144,517	-	81,887	226,404
Prepayments	34,600	-	-	34,600
Materials and supplies inventory	-	-	918	918
Inventory held for resale	-	-	1,648	1,648
Total assets	<u>\$ 11,749,805</u>	<u>\$ 1,240,332</u>	<u>\$ 313,424</u>	<u>\$ 13,303,561</u>
Liabilities:				
Accounts payable	\$ 96,166	\$ 119,345	\$ 4	\$ 215,515
Accrued wages and benefits payable	1,608,224	-	117,103	1,725,327
Compensated absences payable	44,443	-	-	44,443
Intergovernmental payable	99,789	-	1,744	101,533
Pension and postemployment benefits payable	369,643	-	35,368	405,011
Interfund loans payable	-	75,000	12,300	87,300
Total liabilities	<u>2,218,265</u>	<u>194,345</u>	<u>166,519</u>	<u>2,579,129</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	5,078,226	728,795	-	5,807,021
Delinquent property tax revenue not available	140,787	20,810	-	161,597
Income tax revenue not available	236,426	-	-	236,426
Intergovernmental revenue not available	68,040	-	81,887	149,927
Accrued interest not available	1,638	-	-	1,638
Miscellaneous revenue not available	93,765	-	-	93,765
Total deferred inflows of resources	<u>5,618,882</u>	<u>749,605</u>	<u>81,887</u>	<u>6,450,374</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	918	918
Prepays	34,600	-	-	34,600
Unclaimed monies	5,940	-	-	5,940
Restricted:				
Food service operations	-	-	90,096	90,096
Extracurricular	-	-	46,326	46,326
Committed:				
Capital improvements	-	296,382	-	296,382
Other purposes	11,000	-	-	11,000
Assigned:				
Student instruction	9,459	-	-	9,459
Student and staff support	70,751	-	-	70,751
Subsequent year's appropriations	807,846	-	-	807,846
Other purposes	50,468	-	-	50,468
Unassigned (deficit)	2,922,594	-	(72,322)	2,850,272
Total fund balances	<u>3,912,658</u>	<u>296,382</u>	<u>65,018</u>	<u>4,274,058</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,749,805</u>	<u>\$ 1,240,332</u>	<u>\$ 313,424</u>	<u>\$ 13,303,561</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

Total governmental fund balances		\$	4,274,058
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,098,226
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	161,597	
Income taxes receivable		236,426	
Accounts receivable		93,765	
Accrued interest receivable		1,638	
Intergovernmental receivable		149,927	
Total		643,353	643,353
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(58,172)	
Compensated absences		(1,000,613)	
Total		(1,058,785)	(1,058,785)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - Pension		8,194,616	
Deferred inflows - Pension		(1,102,175)	
Net pension liability		(23,786,005)	
Total		(16,693,564)	(16,693,564)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - OPEB		510,246	
Deferred inflows - OPEB		(599,541)	
Net OPEB liability		(5,328,093)	
Total		(5,417,388)	(5,417,388)
Net position (deficit) of governmental activities		\$	(13,154,100)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 5,690,828	\$ 805,377	\$ -	\$ 6,496,205
Income taxes.	3,618,163	-	-	3,618,163
Tuition.	339,286	-	-	339,286
Earnings on investments	23,600	1,255	10	24,865
Charges for services	-	-	322,420	322,420
Extracurricular.	54,510	-	119,921	174,431
Classroom materials and fees	87,022	-	-	87,022
Rental income	26,143	-	-	26,143
Contributions and donations	4,500	-	-	4,500
Other local revenues	69,109	-	10,496	79,605
Intergovernmental - state	10,059,333	116,274	12,620	10,188,227
Intergovernmental - federal	-	-	1,009,836	1,009,836
Total revenues	<u>19,972,494</u>	<u>922,906</u>	<u>1,475,303</u>	<u>22,370,703</u>
Expenditures:				
Current:				
Instruction:				
Regular.	9,925,526	-	1,286	9,926,812
Special	1,822,433	-	631,269	2,453,702
Vocational	20,354	-	-	20,354
Other	748,514	-	-	748,514
Support services:				
Pupil	2,228,177	-	48,429	2,276,606
Instructional staff	357,246	-	61,000	418,246
Board of education	6,608	-	-	6,608
Administration	1,501,765	9,626	1,429	1,512,820
Fiscal	60,632	-	952	61,584
Business.	40,546	-	-	40,546
Operations and maintenance	1,380,021	970,240	-	2,350,261
Pupil transportation	1,437,595	-	-	1,437,595
Central	61,103	-	-	61,103
Operation of non-instructional services:				
Other operation of non-instructional.	265,000	-	-	265,000
Food service operations.	-	-	597,673	597,673
Extracurricular activities	415,265	-	105,749	521,014
Debt service:				
Principal retirement.	13,850	-	-	13,850
Interest and fiscal charges	5,261	-	-	5,261
Total expenditures	<u>20,289,896</u>	<u>979,866</u>	<u>1,447,787</u>	<u>22,717,549</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(317,402)</u>	<u>(56,960)</u>	<u>27,516</u>	<u>(346,846)</u>
Other financing sources (uses):				
Transfers in.	109	-	139	248
Transfers (out)	(139)	-	(109)	(248)
Total other financing sources.	<u>(30)</u>	<u>-</u>	<u>30</u>	<u>-</u>
Net change in fund balances	(317,432)	(56,960)	27,546	(346,846)
Fund balances at beginning of year.	4,230,090	353,342	38,565	4,621,997
Decrease in reserve for inventory	-	-	(1,093)	(1,093)
Fund balances at end of year.	<u>\$ 3,912,658</u>	<u>\$ 296,382</u>	<u>\$ 65,018</u>	<u>\$ 4,274,058</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

Net change in fund balances - total governmental funds	\$	(346,846)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 311,205	
Current year depreciation	(458,132)	
Total		(146,927)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(1,093)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(5,007)	
Income taxes	11,243	
Earnings on investments	(1,301)	
Classroom materials and fees	33,250	
Intergovernmental	73,180	
Total		111,365
Repayment of capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		13,850
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(15,397)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,715,030
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		7,251,808
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		114,848
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		752,107
Change in net position of governmental activities	\$	9,448,745

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 4,474,624	\$ 5,682,274	\$ 5,708,469	\$ 26,195
Income taxes.	6,090,104	3,350,000	3,495,666	145,666
Tuition.	598,952	333,000	339,286	6,286
Earnings on investments	83,298	32,575	64,709	32,134
Extracurricular.	116,826	74,098	54,510	(19,588)
Classroom materials and fees	39,416	23,560	20,228	(3,332)
Rental income	6,797	4,087	3,568	(519)
Other local revenues	2,226	6,634	288	(6,346)
Intergovernmental - state	7,943,075	10,030,516	10,005,741	(24,775)
Total revenues	<u>19,355,318</u>	<u>19,536,744</u>	<u>19,692,465</u>	<u>155,721</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,939,614	10,031,122	10,019,273	11,849
Special.	1,730,051	1,801,424	1,784,319	17,105
Vocational.	21,531	29,325	29,288	37
Other.	1,283,864	727,450	727,011	439
Support services:				
Pupil.	2,601,401	2,255,316	2,252,260	3,056
Instructional staff	330,746	344,428	342,563	1,865
Board of education	10,108	6,658	6,608	50
Administration.	1,377,158	1,482,522	1,452,238	30,284
Fiscal	90,043	73,147	62,685	10,462
Business	98,857	60,000	59,657	343
Operations and maintenance.	1,697,028	1,477,684	1,429,151	48,533
Pupil transportation	2,404,115	1,479,464	1,445,381	34,083
Central.	48,074	63,150	61,176	1,974
Other operation of non-instructional services	473,662	278,847	265,000	13,847
Extracurricular activities.	389,053	420,371	419,854	517
Total expenditures	<u>20,495,305</u>	<u>20,530,908</u>	<u>20,356,464</u>	<u>174,444</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(1,139,987)</u>	<u>(994,164)</u>	<u>(663,999)</u>	<u>330,165</u>
Other financing sources (uses) :				
Refund of prior year's expenditures	185,592	298,933	218,907	(80,026)
Transfers in	-	-	6,053	6,053
Transfers (out).	-	(139)	(139)	-
Advances (out)	-	(87,300)	(87,300)	-
Sale of capital assets	9,090	-	6,493	6,493
Total other financing sources (uses)	<u>194,682</u>	<u>211,494</u>	<u>144,014</u>	<u>(67,480)</u>
Net change in fund balance	(945,305)	(782,670)	(519,985)	262,685
Fund balance at beginning of year	4,407,143	4,407,143	4,407,143	-
Prior year encumbrances appropriated	275,898	275,898	275,898	-
Fund balance at end of year	<u>\$ 3,737,736</u>	<u>\$ 3,900,371</u>	<u>\$ 4,163,056</u>	<u>\$ 262,685</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 1,737	\$ 75,200
Cash with fiscal agent	8,554	-
Total assets.	10,291	\$ 75,200
Liabilities:		
Accounts payable.	-	\$ 160
Due to students.	-	75,040
Total liabilities	-	\$ 75,200
Net position:		
Held in trust for scholarships:		
Nonexpendable	-	
Expendable	10,291	
Total net position.	\$ 10,291	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

	Private-Purpose Trust
	Scholarship
Additions:	
Earnings on investments.	\$ 861
Total additions.	861
Deductions:	
Investment fees.	370
Scholarships awarded	284
Total deductions.	654
Change in net position	207
Net position at beginning of year (restated)	10,084
Net position at end of year	\$ 10,291

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Valley View Local School District (the "District") is located in Montgomery County and encompasses the Villages of Germantown, Carlisle and Farmersville and the Townships of German, Jackson, Jefferson, Miami and Gratis. The District serves an area of approximately 68 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI 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 District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 95 non-certified and 162 certified employees to provide services to 1,828 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technology Center

The career technology center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Board of Education is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered to be a separate political subdivision and not part of the District. Financial information is available from Matt Huffman, Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Council (SOEPC)

SOEPC is a purchasing cooperative made up of nearly 100 school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year of prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's general fund. The District purchases health and dental insurance through the SOEPC's Benefit Plan Trust and workers' compensation insurance through Hunter Consulting Inc. via SOEPC. Financial information is available from SOEPC by contacting Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Miami Valley Educational Computer Association (MVECA) - The District is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia, and Hillsboro. 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 districts. The governing board of MVECA consists of three Superintendents and three Treasurers of member Districts, with three of the four Superintendents and all three Treasurers elected by a majority vote of all member Districts except the Greene County Career Center. The fourth Superintendent is from the Greene County Career Center. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

RELATED ORGANIZATION

Germantown Public Library

The Germantown Public Library is a distinct political subdivision of the State of Ohio, created in accordance with Chapter 3375, ORC. The Board of Education is responsible for appointing the trustees of the Library; however, the Board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library determines its need for the issuance of debt and determines its own budget. During fiscal year 2018, the District paid the Library \$41,070 for services.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Permanent improvement fund - This fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for a scholarship program for students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 14 and 15 for deferred outflows of resources related to the District's net pension liability and net OPEB liability, respectively.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level of expenditures for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Montgomery County Budget Commission for rate determination.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

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

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

F. Cash and Investments

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

During fiscal year 2018, investments were limited to negotiable certificates of deposit and US Government money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$23,600 which includes \$6,131 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

I. Capital Assets

General capital assets are those assets specifically related to governmental activities. These 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 deductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	7 - 30 years
Buildings and improvements	7 - 40 years
Furniture and equipment	5 - 30 years
Vehicles	7 - 15 years

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible in accordance with GASB Statement No. 16.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

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

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

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

L. Fund Balance

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

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

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

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

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

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

M. Net Position

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

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

N. Estimates

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

O. Pensions/Other Postemployment Benefits (OPEB)

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

P. Extraordinary and Special Items

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

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

Q. Fair Market Value

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

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

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 15 to the basic financial statements, and added required supplementary information which is presented on pages 78-83.

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

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

	Governmental Activities
Net position as previously reported	
Deferred outflows - payments subsequent to measurement date	\$ (16,318,502) 43,479
Net OPEB liability	(6,327,822)
Restated net position at July 1, 2017	\$ (22,602,845)

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

A net position restatement is required for the reduction in cash with the private purpose trust funds that the District does not control. The fiduciary activities at July 1, 2017 have been restated as follows:

	Fiduciary Activities
Net position as previously reported	\$ 1,153,012
Dursch Jackson Account Adjustment: Removal of cash with fiscal agent	(1,151,279)
Sam Lindenmuth Account Adjustment: Addition of cash with fiscal agent	8,351
Restated net position at July 1, 2017	\$ 10,084

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 48,930
Title I	23,391
Supporting Effective Instruction	1

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio (STAR Ohio));
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash in Segregated Accounts

At fiscal year-end, \$4,123 was on deposit for athletic accounts. This amount is not included in the total amount of "Deposits with Financial Institutions" below.

B. Cash with Fiscal Agent

At fiscal year-end, \$8,554 of the District's funds were invested with the Dayton Foundation. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants.

C. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$3,625,293. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, \$3,237,013 of the District's bank balance of \$3,677,450 was exposed to custodial risk as discussed below, while \$440,437 was covered by the FDIC.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

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

<u>Measurement/Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>Greater than 24 Months</u>
<i>Fair Value:</i>					
Negotiable CDs	\$ 1,126,439	\$ 244,650	\$ 243,706	\$ 341,343	\$ 296,740
US government money market	<u>386,238</u>	<u>386,238</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>1,512,677</u>	<u>630,888</u>	<u>243,706</u>	<u>341,343</u>	<u>296,740</u>

The weighted average maturity of investments is 1.48 years.

The District's investments in U.S Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in negotiable CD's are valued using quoted prices in markets that are not considered to be active, deal quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

Credit Risk: The District's investment in the U.S. Government money market was rated AAAM by Standard & Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

<u>Measurement/Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Negotiable CDs	\$ 1,126,439	74.47%
US Government Money Market	<u>386,238</u>	<u>25.53%</u>
	<u>\$ 1,512,677</u>	<u>100.00%</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of cash and investment to the statement of net position

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,625,293
Investments	1,512,677
Cash in segregated accounts	4,123
Cash with fiscal agent	<u>8,554</u>
 Total	 <u>\$ 5,150,647</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,065,156
Private-purpose trust funds	10,291
Agency funds	<u>75,200</u>
 Total	 <u>\$ 5,150,647</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2018 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Permanent Improvement Fund	75,000
General fund	Nonmajor governmental funds	<u>12,300</u>
		<u>\$ 87,300</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund transfers for the year ended June 30, 2018 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 139
 <u>Transfers from nonmajor governmental funds to:</u>	
General fund	<u>109</u>
	<u>\$ 248</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer in to the general fund was a residual equity transfer to close an old grant that was reported in the nonmajor governmental funds.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported on the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

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

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$267,535 in the general fund and \$39,398 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$285,175 in the general fund, and \$41,366 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 221,823,700	92.94	\$ 227,442,930	92.74
Public utility personal	<u>16,843,480</u>	<u>7.06</u>	<u>17,797,610</u>	<u>7.26</u>
Total	<u>\$ 238,667,180</u>	<u>100.00</u>	<u>\$ 245,240,540</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
General	\$ 35.53		\$ 35.53	
Permanent improvement	3.80		3.80	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

In fiscal year 1991, the voters of the District passed a .50% income tax, effective for five years. This income tax has been renewed several times by the voters. In fiscal year 1995, voters of the District passed an additional .75% income tax, effective for five years. This income tax has been renewed several times by the voters. In May 2015, the two income taxes were passed by the voters as continuous. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal year 2018 credited to the general fund was \$3,618,163.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018 consisted of taxes (both property taxes and income taxes), accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 6,275,551
Income taxes	1,508,437
Accounts	93,765
Accrued interest	9,782
Intergovernmental	<u>226,404</u>
Total	<u>\$ 8,113,939</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 8 – RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance 06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/18</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 405,123	\$ -	\$ -	\$ 405,123
Total capital assets, not being depreciated	<u>405,123</u>	<u>-</u>	<u>-</u>	<u>405,123</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,335,443	23,350	-	2,358,793
Buildings and improvements	7,543,485	253,684	-	7,797,169
Furniture and equipment	3,628,563	34,171	-	3,662,734
Vehicles	<u>397,987</u>	<u>-</u>	<u>-</u>	<u>397,987</u>
Total capital assets, being depreciated	<u>13,905,478</u>	<u>311,205</u>	<u>-</u>	<u>14,216,683</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,030,960)	(47,066)	-	(1,078,026)
Buildings and improvements	(5,443,509)	(146,509)	-	(5,590,018)
Furniture and equipment	(2,334,553)	(239,964)	-	(2,574,517)
Vehicles	<u>(256,426)</u>	<u>(24,593)</u>	<u>-</u>	<u>(281,019)</u>
Total accumulated depreciation	<u>(9,065,448)</u>	<u>(458,132)</u>	<u>-</u>	<u>(9,523,580)</u>
Governmental activities capital assets, net	<u>\$ 5,245,153</u>	<u>\$ (146,927)</u>	<u>\$ -</u>	<u>\$ 5,098,226</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 197,445
Special	4,825
Vocational	6,452
<u>Support services:</u>	
Pupil	1,377
Instructional staff	8,113
Administration	4,420
Fiscal	203
Operations and maintenance	145,422
Pupil transportation	5,700
Central	6,847
Extracurricular activities	60,060
Food service operations	<u>17,268</u>
Total depreciation expense	<u>\$ 458,132</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a lease for copiers. This lease meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease and the related lease obligation liability have been reported on the statement of net position.

Capital assets consisting of equipment have been capitalized in the amount of \$78,543. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2018 for equipment was \$23,563, leaving a current book value of \$54,980. Total principal payments for fiscal year 2018 totaled \$13,850.

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

Fiscal Year <u>Ending June 30,</u>	<u>Total</u>
2019	\$ 19,111
2020	19,111
2021	19,111
2022	<u>9,555</u>
Total future minimum lease payments	66,888
Less: amount representing interest	<u>(8,716)</u>
Present value of future minimum lease payments	<u>\$ 58,172</u>

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**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS

During the fiscal year 2018, the following activity occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance <u>06/30/17</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/18</u>	Amount Due in <u>One Year</u>
Net pension liability	\$ 31,489,943	\$ -	\$ (7,703,938)	\$ 23,786,005	\$ -
Net OPEB liability	6,327,822	45,579	(1,045,308)	5,328,093	-
<u>Other long-term obligations</u>					
Capital lease obligation	72,022	-	(13,850)	58,172	14,999
Compensated absences	<u>1,041,812</u>	<u>73,642</u>	<u>(70,398)</u>	<u>1,045,056</u>	<u>65,686</u>
Total other long-term obligations	<u>1,113,834</u>	<u>73,642</u>	<u>(84,248)</u>	<u>1,103,228</u>	<u>80,685</u>
Total governmental activities	<u>\$ 38,931,599</u>	<u>\$ 119,221</u>	<u>\$ (8,833,494)</u>	<u>\$ 30,217,326</u>	<u>\$ 80,685</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$22,071,649 and an unvoted debt margin of \$245,241.

NOTE 12 - OTHER 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 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. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused, sick leave credit.

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

NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through Horace Mann Life Insurance Company.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

The District purchases health and dental insurance through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (the "Trust"). The Trust is a public entity risk pool currently operating as a common risk management and insurance program (See Note 2.A). The intent of the Trust is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Trust. Risk of loss transfers to the Trust upon payment of the premium.

The District purchases workers' compensation insurance through Hunter Consulting, Inc. via SOEPC.

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2017.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The District's contractually required contribution to SERS was \$410,613 for fiscal year 2018. Of this amount, \$80,436 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The District's contractually required contribution to STRS was \$1,304,417 for fiscal year 2018. Of this amount, \$221,956 is reported as pension and postemployment benefits payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.07573690%	0.07751528%	
Proportion of the net pension liability current measurement date	<u>0.08218140%</u>	<u>0.07945981%</u>	
Change in proportionate share	<u>0.00644450%</u>	<u>0.00194453%</u>	
Proportionate share of the net pension liability	\$ 4,910,157	\$ 18,875,848	\$ 23,786,005
Pension expense	\$ (23,251)	\$ (7,228,557)	\$ (7,251,808)

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 211,316	\$ 728,897	\$ 940,213
Changes of assumptions	253,908	4,128,355	4,382,263
Difference between District contributions and proportionate share of contributions/change in proportionate share	426,979	730,131	1,157,110
District contributions subsequent to the measurement date	<u>410,613</u>	<u>1,304,417</u>	<u>1,715,030</u>
Total deferred outflows of resources	<u>\$ 1,302,816</u>	<u>\$ 6,891,800</u>	<u>\$ 8,194,616</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 152,132	\$ 152,132
Net difference between projected and actual earnings on pension plan investments	23,307	622,927	646,234
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>15,800</u>	<u>288,009</u>	<u>303,809</u>
Total deferred inflows of resources	<u>\$ 39,107</u>	<u>\$ 1,063,068</u>	<u>\$ 1,102,175</u>

\$1,715,030 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 350,408	\$ 909,320	\$ 1,259,728
2020	450,206	1,756,707	2,206,913
2021	166,948	1,409,735	1,576,683
2022	<u>(114,466)</u>	<u>448,553</u>	<u>334,087</u>
Total	<u>\$ 853,096</u>	<u>\$ 4,524,315</u>	<u>\$ 5,377,411</u>

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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

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

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 6,814,022	\$ 4,910,157	\$ 3,315,282

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

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

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

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

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

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

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:

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MONTGOMERY COUNTY, OHIO**

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 27,057,886	\$ 18,875,848	\$ 11,983,708

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

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

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$99,640.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$114,848 for fiscal year 2018. Of this amount, \$102,619 is reported as pension and postemployment benefits payable.

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

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.07656147%	0.07751528%	
Proportion of the net OPEB liability current measurement date	<u>0.08301350%</u>	<u>0.07945981%</u>	
Change in proportionate share	<u>0.00645203%</u>	<u>0.00194453%</u>	
Proportionate share of the net OPEB liability	\$ 2,227,864	\$ 3,100,229	\$ 5,328,093
OPEB expense	\$ 179,059	\$ (931,166)	\$ (752,107)

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

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 178,965	\$ 178,965
Difference between District contributions and proportionate share of contributions/change in proportionate share	127,295	89,138	216,433
District contributions subsequent to the measurement date	<u>114,848</u>	<u>-</u>	<u>114,848</u>
Total deferred outflows of resources	<u>\$ 242,143</u>	<u>\$ 268,103</u>	<u>\$ 510,246</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on OPEB plan investments	\$ 5,883	\$ 132,511	\$ 138,394
Changes of assumptions	<u>211,413</u>	<u>249,734</u>	<u>461,147</u>
Total deferred inflows of resources	<u>\$ 217,296</u>	<u>\$ 382,245</u>	<u>\$ 599,541</u>

\$114,848 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ (31,949)	\$ (30,067)	\$ (62,016)
2020	(31,949)	(30,067)	(62,016)
2021	(24,633)	(30,067)	(54,700)
2022	(1,470)	(30,066)	(31,536)
2023	-	3,061	3,061
Thereafter	<u>-</u>	<u>3,064</u>	<u>3,064</u>
Total	<u>\$ (90,001)</u>	<u>\$ (114,142)</u>	<u>\$ (204,143)</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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>	

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.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 2,690,430	\$ 2,227,864	\$ 1,861,394

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,807,745	\$ 2,227,864	\$ 2,783,899

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 4,162,007	\$ 3,100,229	\$ 2,261,077
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,153,906	\$ 3,100,229	\$ 4,345,700

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (519,985)
Net adjustment for revenue accruals	146,403
Net adjustment for expenditure accruals	105,685
Net adjustment for other sources/uses	(144,044)
Funds budgeted elsewhere	17,349
Adjustment for encumbrances	77,160
GAAP basis	\$ (317,432)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, unclaimed monies fund, other grants fund, special enterprise fund, the underground storage tank fund and the school Hall of Fame fund.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal-year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District. The District has determined that these adjustments are immaterial.

NOTE 18 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	324,058
Current year offsets	<u>(923,619)</u>
Total	<u>\$ (599,561)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 55,022
Permanent improvement	324,910
Other governmental	<u>18,126</u>
 Total	 <u>\$ 398,058</u>

NOTE 20 - TRANSPORTATION SERVICES AGREEMENT

On April 22, 2013, the District entered into a transportation services agreement with First Student, Inc. The agreement commenced on July 1, 2013 and shall continue through June 30, 2023. The agreement may be extended by mutual written agreement for five additional one-year periods. Under the terms of the agreement, First Student, Inc. will supply and maintain school buses and personnel to fulfill the District's needs for transportation services. During fiscal year 2018, the District paid \$1,380,622 to First Student, Inc. under the terms of the agreement.

NOTE 21 - FISCAL SERVICES AGREEMENT

On July 25, 2016, the District entered into an agreement with Shared Resource Center (SRC) wherein SRC will provide the District with financial services, inclusive of all services provided by the treasurer's office of a local school district in the State of Ohio. Such services will be provided by the appropriately licensed and certified personnel who are qualified to perform such services. The term of the agreement is August 1, 2016 through July 31, 2019. The agreement will automatically be extended through June 30, 2020 if neither party provides written notice of termination no later than December 31, 2018. During fiscal year 2018, the District paid SRC \$265,000 for the period August 1, 2017 through July 31, 2018. The District will pay SRC \$275,000 in fiscal year 2019. Installments payments equal to 1/12th of the annual payment is due on the 15th of each month.

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REQUIRED SUPPLEMENTARY INFORMATION

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.08218140%	0.07573690%	0.07246800%	0.07360900%	0.07360900%
District's proportionate share of the net pension liability	\$ 4,910,157	\$ 5,543,242	\$ 4,135,094	\$ 3,725,310	\$ 4,377,291
District's covered payroll	\$ 3,215,414	\$ 2,369,700	\$ 2,181,662	\$ 2,138,932	\$ 2,132,522
District's proportionate share of the net pension liability as a percentage of its covered payroll	152.71%	233.92%	189.54%	174.17%	205.26%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07945981%	0.07751528%	0.07605464%	0.07862947%	0.07862947%
District's proportionate share of the net pension liability	\$ 18,875,848	\$ 25,946,701	\$ 21,019,278	\$ 19,125,408	\$ 22,782,061
District's covered payroll	\$ 8,971,950	\$ 8,231,614	\$ 8,050,043	\$ 8,033,754	\$ 8,529,500
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.39%	315.21%	261.11%	238.06%	267.10%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 410,613	\$ 450,158	\$ 331,758	\$ 287,543
Contributions in relation to the contractually required contribution	<u>(410,613)</u>	<u>(450,158)</u>	<u>(331,758)</u>	<u>(287,543)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,041,578	\$ 3,215,414	\$ 2,369,700	\$ 2,181,662
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 296,456	\$ 295,141	\$ 341,039	\$ 328,011	\$ 370,486	\$ 247,647
<u>(296,456)</u>	<u>(295,141)</u>	<u>(341,039)</u>	<u>(328,011)</u>	<u>(370,486)</u>	<u>(247,647)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,138,932	\$ 2,132,522	\$ 2,535,606	\$ 2,609,475	\$ 2,736,233	\$ 2,516,738
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,304,417	\$ 1,256,073	\$ 1,152,426	\$ 1,127,006
Contributions in relation to the contractually required contribution	<u>(1,304,417)</u>	<u>(1,256,073)</u>	<u>(1,152,426)</u>	<u>(1,127,006)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,317,264	\$ 8,971,950	\$ 8,231,614	\$ 8,050,043
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,044,388	\$ 1,108,835	\$ 1,156,059	\$ 1,211,098	\$ 1,190,628	\$ 1,139,530
<u>(1,044,388)</u>	<u>(1,108,835)</u>	<u>(1,156,059)</u>	<u>(1,211,098)</u>	<u>(1,190,628)</u>	<u>(1,139,530)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,033,754	\$ 8,529,500	\$ 8,892,762	\$ 9,316,138	\$ 9,158,677	\$ 8,765,615
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.08301350%	0.07656147%
District's proportionate share of the net OPEB liability	\$ 2,227,864	\$ 2,182,285
District's covered payroll	\$ 3,215,414	\$ 2,369,700
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	69.29%	92.09%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.07945981%	0.07751528%
District's proportionate share of the net OPEB liability	\$ 3,100,229	\$ 4,145,537
District's covered payroll	\$ 8,971,950	\$ 8,231,614
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.55%	50.36%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 114,848	\$ 43,479	\$ 37,927	\$ 54,062
Contributions in relation to the contractually required contribution	<u>(114,848)</u>	<u>(43,479)</u>	<u>(37,927)</u>	<u>(54,062)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,041,578	\$ 3,215,414	\$ 2,369,700	\$ 2,181,662
Contributions as a percentage of covered payroll	3.78%	1.35%	1.60%	2.48%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 37,992	\$ 40,300	\$ 52,270	\$ 78,262	\$ 63,609	\$ 153,953
<u>(37,992)</u>	<u>(40,300)</u>	<u>(52,270)</u>	<u>(78,262)</u>	<u>(63,609)</u>	<u>(153,953)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,138,932	\$ 2,132,522	\$ 2,535,606	\$ 2,609,475	\$ 2,736,233	\$ 2,516,738
1.78%	1.89%	2.06%	3.00%	2.32%	6.12%

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,317,264	\$ 8,971,950	\$ 8,231,614	\$ 8,050,043
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 82,124	\$ 85,295	\$ 88,928	\$ 93,161	\$ 91,587	\$ 87,656
<u>(82,124)</u>	<u>(85,295)</u>	<u>(88,928)</u>	<u>(93,161)</u>	<u>(91,587)</u>	<u>(87,656)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,033,754	\$ 8,529,500	\$ 8,892,762	\$ 9,316,138	\$ 9,158,677	\$ 8,765,615
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

(Continued)

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

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**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures	Total Federal Noncash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$36,581	\$10,530
National School Lunch Program	10.555	N/A	210,186	37,334
Total Child Nutrition Cluster			<u>246,767</u>	<u>47,864</u>
Total U.S. Department of Agriculture			<u>246,767</u>	<u>47,864</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	S010A170035	302,686	
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	H027A170111	358,642	
Special Education Preschool Grants	84.173	H173A170119	12,922	
Total Special Education Cluster (IDEA)			<u>371,564</u>	
Supporting Effective Instruction State Grants	84.367	S637A170034	59,744	
Total U.S. Department of Education			<u>733,994</u>	
Total Expenditures of Federal Awards			<u>\$980,761</u>	<u>\$47,864</u>

The accompanying notes are an integral part of this schedule.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Valley View Local School District (the District's) under programs of the federal government for the fiscal year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements 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 or changes in net position 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 District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs 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*

Valley View Local School District
Montgomery County
59 Peffley Street
Germantown, Ohio 45327

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Local School District, Montgomery County, (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 April 8, 2019, wherein we noted that the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* and restated the Private Purpose Trust Fund beginning net position.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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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*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

April 8, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

Valley View Local School District
Montgomery County
59 Peffley Street
Germantown, Ohio 45327

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Valley View 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 the Valley View Local School District's major federal program 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 program.

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 program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

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

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 a major federal program, to determine our auditing procedures appropriate for opining on the 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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2018-002.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



Keith Faber
Auditor of State
Columbus, Ohio

April 8, 2019

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
2 C.F.R. § 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)?	Yes
(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?	Yes
(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 C.F.R. § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster
(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 C.F.R. § 200.520?	Yes

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

FINDING NUMBER 2018-001

Material Weakness – Financial Statement Errors

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**FINDING NUMBER 2018-001
 (Continued)**

The District prepared its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The District's fiscal year 2018 financial statements contained the following errors that were material and required adjustment or reclassification to the financial statements:

Private Purpose Trust Fund Net Position at Beginning of Year was overstated by \$1,142,928 due to the improper inclusion of an account with the Dayton Foundation that the District does not have control over and the improper exclusion of an account with the Dayton Foundation that the District does have control over. Due to these same circumstances, Cash with Fiscal Agent and Net Position at End of Year were both overstated by \$1,218,114, with Nonexpendable Net Position accounting for \$1,053,889 and Expendable Net Position accounting for \$164,225. In addition, Earnings on Investments, Investment Fees, and Scholarships Awarded were overstated by \$112,738, \$17,070, and \$20,482, respectively.

Failure to review the District's annual financial report could result in materially misstated financial statements and misleading financial information. The District should establish and implement procedures to review its annual GAAP financial statements to determine that the financial statements are presented in accordance with applicable accounting guidelines and principles.

Officials' Response:

See the Corrective Action Plan on page 97.

3. FINDING FOR FEDERAL AWARDS

Finding Number	2018-002		
CFDA Title and Number	CFDA #10.553 School Breakfast Program (Child Nutrition Cluster) CFDA #10.555 National School Lunch Program (Child Nutrition Cluster)		
Federal Award Identification Number / Year	2018		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Allowable Costs/Cost Principles		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	

Material Weakness

2 C.F.R. § 400.1 gives regulatory effect to the Department of Agriculture for **2 C.F.R. § 200.303** which states, in part, that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

FINDING NUMBER 2018-002
(Continued)

The purchase order/invoice for 1 out of 20 (5%) transactions tested was not reviewed and approved by a District employee as evidenced by the lack of signature on the purchase order or invoice. However, the purchase order was signed by the Superintendent and Treasurer.

The District should implement policies and procedures to verify that all internal controls over federal programs are operating effectively to prevent unallowable expenditures from being made in future audits, which could lead to potential federal questioned costs being issued in future audits.

Officials' Response:

See the Corrective Action Plan on page 97..



VALLEY VIEW LOCAL SCHOOL DISTRICT

59 Peffley Street, Germantown, OH 45327 937.855.6581

Our Schools, Our Students, Our Future

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	7 C.F.R. Section 245.3 – Inaccuracies in determining free and reduced meal eligibility.	Corrective action taken and finding is fully fixed	N/A



VALLEY VIEW LOCAL SCHOOL DISTRICT

59 Peffley Street, Germantown, OH 45327 937.855.6581

Our Schools, Our Students, Our Future

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The District kept the scholarship on its books as a matter of record to ensure appropriate transfer to the Dayton Foundation. The District will take the scholarship off the books to remedy this issue.	6/30/2019	Laura Sauber, Treasurer
2018-002	The District will ensure that all purchases from federal programs have been approved by appropriate personnel before payment is made to vendors.	5/1/2019	Laura Sauber, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



VALLEY VIEW LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 23, 2019**