COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

OHIO AUDITOR OF STATE
KEITH FABER

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2019	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – June 30, 2019	12
Statement of Activities – For the Fiscal Year Ended June 30, 2019	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds – June 30, 2019	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2019	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2019	16
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, 2019	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund – For the Fiscal Year Ended June 30, 2019	18
Statement of Fiduciary Net Position – Fiduciary Funds – June 30, 2019	19
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – For the Fiscal Year Ended June 30, 2019	20
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2019	21
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability – School Employees Retirement System of Ohio - Last Six Fiscal Years	61
Schedule of the School District's Proportionate Share of the Net Pension Liability – State Teachers Retirement System of Ohio – Last Six Fiscal Years	62
Schedule of the School District's Pension Contribution – School Employees Retirement System of Ohio - Last Ten Fiscal Years	63
Schedule of the School District's Pension Contribution – State Teachers Retirement System of Ohio – Last Ten Fiscal Years	64

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2019 AND 2018

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Schedule of the School District's Proportionate Share of the Net OPEB Liability – School Employees Retirement System of Ohio – Last Three Fiscal Years	65
Schedule of the School District's Proportionate Share of the Net OPEB Liability – State Teachers Retirement System of Ohio – Last Three Fiscal Years	66
Schedule of the School District's OPEB Contribution – School Employees Retirement System of Ohio – Last Four Fiscal Years	67
Schedule of the School District's OPEB Contribution – State Teachers Retirement System of Ohio – Last Four Fiscal Years	68
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2018	69
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – June 30, 2018	78
Statement of Activities – For the Fiscal Year Ended June 30, 2018	79
Fund Financial Statements:	
Balance Sheet – Governmental Funds – June 30, 2018	80
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2018	81
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2018	82
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	83
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund – For the Fiscal Year Ended June 30, 2018	84
Statement of Fiduciary Net Position – Fiduciary Funds – June 30, 2018	85
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – For the Fiscal Year Ended June 30, 2018	86
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2018	87

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability – Last Five Measurement Years	128
Schedule of School District Contributions – Pension Plans Last Ten Fiscal Years	129
Schedule of the School District's Proportionate Share of the Net OPEB Liability – Last Two Measurement Years	130
Schedule of School District Contributions – OPEB Plans – Last Three Fiscal Years	131
Notes to the Required Supplementary Information – For the Fiscal Year Ended June 30, 2018	132
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*	135
Schedule of Findings	137
Prepared by Management:	
Summary Schedule of Prior Audit Findings	138

Page Intentionally Left Blank

OHIO AUDITOR OF STATE
KEITH FABER

One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Covington Exempted Village School District
Miami County
807 Chestnut Street, Suite A
Covington, Ohio 45318

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Exempted Village School District, Miami County, Ohio, as of June 30, 2019 and 2018, and the respective changes in financial position thereof and the budgetary comparison for the general fund thereof for the fiscal years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions.* We did not modify our opinion regarding this matter. Also, as discussed in fiscal year 2019 Note 23 to the financial statements, during fiscal year 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

April 30, 2020

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

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Total net position reported at June 30, 2019 increased by 21.4 percent from beginning balance due to increases in pooled cash and cash equivalents and net other postemployment benefits (OPEB) asset combined with the decreases in the net pension and OPEB liabilities compared to those reported for the prior fiscal year.

- Total assets of governmental activities increased by approximately $749,000 (2.6 percent) from one year prior as the balances reported for pooled cash and cash equivalents and net OPEB asset increased during the year. The increase in pooled cash and cash equivalents resulted from revenues being more than operating requirements of the year. The net OPEB asset was recognized at June 30, 2019 for the first time due to changes in the actuarial assumptions for one of the two state-wide retirement plans in which School District employees belong.

- Total liabilities decreased $1.7 million, or 6.7 percent, during the fiscal year due primarily to the reported decreases in the net pension and OPEB liabilities at June 30, 2019 compared with those reported for the prior year.

- General revenues accounted for $9.9 million or 84.0 percent of total revenue. Program specific revenues in the form of charges for services, as well as operating grants and contributions account for $1.9 million or 16.0 percent of total revenues of $11.8 million. Total revenue reported for fiscal year 2019 was approximately $250,000 (2.1 percent) more than the amount reported for the prior year. Additional tuition and fees revenue received from other school districts, increases in property and income taxes, as well as additional investment earnings account for the additional revenues received during the current fiscal year.

- Total expenses of the School District increased by approximately $2.8 million (36.3 percent) compared to the prior year as pension and OPEB plans expenses for fiscal year 2019 were approximately negative $172,500 compared with the $3.6 million in negative expenses reported for the prior year, a swing of $3.4 million in expenses. If pension and OPEB expenses are excluded from the two years, fiscal year 2019 expenses would be nearly $560,000 less than those of fiscal year 2018 primarily due to the additional interest and fiscal charges reported by the School District prior to the debt refunding that occurred in fiscal year 2018.

- The General Fund, the School District's primary operating fund, reported an 8.9 percent increase in fund balance for fiscal year 2019 primarily due to the increases in income taxes as well as property taxes and interest earnings reported for the year. The $2.2 million, unassigned fund balance reported at June 30, 2019 represents 23.5 percent of the total expenditures reported for the General Fund for the fiscal year.

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 School 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 School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. While the General Fund is the general operating fund of the School District, individual fund statements are also presented for the Permanent Improvement Fund since it is also considered a major governmental fund by the School District.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins after the statement of activities. The School District uses many funds to account for a multitude of financial transactions. All the funds of the School District can be divided into two categories: governmental and fiduciary funds. The School District does not have any funds which are classified as proprietary. The fund financial statements focus on the School District's most significant funds, and therefore only the major funds are presented separate from the other funds. For fiscal year 2019, the School District has two major governmental funds: the General and Permanent Improvement Funds.

Governmental Funds

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support programs of the School District. The accounting used for fiduciary funds is much like that in the government-wide financial statements.

The School District as a Whole

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

TABLE 1
NET POSITION

	2019	2018
Assets:		
Current and other Assets	$ 8,289,444	$ 7,311,673
Capital Assets	21,549,055	21,777,368
	29,838,499	29,089,041
Deferred Outflows of Resources		
Pension and OPEB	2,971,034	3,398,787
Other Deferred Outflows	893,793	921,294
	3,864,827	4,320,081
Liabilities:		
Current and Other Liabilities	1,110,636	1,159,717
Long-Term Liabilities:		
Due within One Year	131,593	183,613
Due in More Than One Year:		
Net Pension Liability	9,680,998	10,208,032
Net OPEB Liability	1,092,671	2,276,626
Other Long-term Liabilities	11,701,073	11,579,968
	23,716,971	25,407,956

(Continued)

TABLE 1
NET POSITION
(Continued)

	2019	2018
Deferred Inflows of Resources		
Pension and OPEB	1,703,740	829,560
Other Deferred Inflows	1,995,766	1,991,662
	3,699,506	2,821,222
Net Position		
Net Investment in Capital Assets	12,385,957	12,448,720
Restricted	979,459	635,388
Unrestricted	(7,078,567)	(7,904,164)
	$ 6,286,849	$ 5,179,944

The activity reported by the two State-wide pension systems (STRS and SERS) for the fiscal year is reported pursuant to GASB 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revised the accounting for costs and liabilities related to other pension and other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset as well as the deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or 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 required the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both

Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement systems. 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 pension system is responsible for the administration of the plan.

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

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

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2019, the School District's total net position was $6.3 million. Of that amount, approximately $12.4 million was the net investment in capital assets. Another $979,459 was subject to external restrictions upon its use. The remaining deficit of $7.1 million resulted from the School District's recognition of its proportionate share of the retirement systems' net pension and OPEB assets/liabilities. If the components of recording the pension and OPEB plans are removed from the Statement of Net Position, the School District's ending unrestricted net position would be approximately $1.9 million. We feel this is important to mention as the management of the School District has no control over the management of the State-wide pension or OPEB plans or the benefits offered; both of which control the net pension and OPEB liabilities which have a significant effect on the School District's financial statements.

Total assets increased by $749,458 at June 30, 2019 compared to one year prior as the increase in pooled cash and cash equivalents and the net OPEB asset were sufficient to offset the $228,313 decrease in net capital assets reported at the end of current year compared to one-year prior. The increase in pooled cash and cash equivalents resulted from operating spending being less than the revenues received during the fiscal year. The net OPEB asset was recognized for the first time during fiscal year 2019 due to changes in the actuarial assumptions used by one of the State-wide pension systems related to other postemployment benefits plans. The decrease in net capital assets resulted from current year depreciation expense being more than current year capital asset additions. Changes in deferred outflows of resources resulted from recording current year pension and OPEB activity, as well as amortization of the deferred charge on refunding during the year.

Total liabilities decreased $1.7 million, or 6.7 percent, during the fiscal year due to the decreases in the net pension and OPEB liabilities previously mentioned. All other liabilities increased slightly, $20,004, compared with those reported for the prior fiscal year. Deferred inflows of resources increased by $878,284 due to the increases in the net pension and OPEB liabilities' components recognized for the year.

Table 2 shows the changes in net position for fiscal year 2019 as compared to those for fiscal year 2018.

TABLE 2
CHANGES IN NET POSITION

	2019	2018
Revenues		
Program Revenues:		
Charges for Services	$ 1,312,476	$ 1,211,958
Operating Grants and Contributions	555,015	732,806
Capital Grants and Contributions	17,000	13,145
General Revenues:		
Property Taxes	2,300,434	2,228,466
Income Taxes	2,623,340	2,452,166
Grants and Entitlements	4,807,965	4,808,933
Other	150,626	76,747
Total Revenues	11,766,856	11,524,221
Program Expenses		
Instruction	6,120,139	3,112,815
Support Services:		
Pupil and Instructional Staff	732,079	449,175
Board of Education, Administration, Fiscal, and Business	1,052,360	574,977
Plant Operation and Maintenance	699,870	771,898
Pupil Transportation	472,426	350,723
Central	129,139	105,126
Operation of Non-Instructional Services	422,148	422,023
Extracurricular Activities	657,999	638,017
Interest and Fiscal Charges	373,791	1,397,752
Total Expenses	10,659,951	7,822,506
Change in Net Position	1,106,905	3,701,715
Beginning Net Position	5,179,944	1,478,229
Ending Net Position	$ 6,286,849	$ 5,179,944

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for local operating funds. The overall revenue generated by a voted property tax levy does not increase solely as a result of inflation. Local taxes (property and income) made up 41.8 percent of the total revenue for governmental activities for the School District for fiscal year 2019, compared to 40.6 percent in the prior fiscal year. Local tax revenue increased by $243,142 as income tax revenues increased $171,174 due to continuing economic improvement and property tax revenue increased $71,968 based on higher property values for the year. Unrestricted grants and entitlements remained virtually the same as the amount in the prior year based on the current state foundation funding formula. Program revenue decreased by $73,418 as the School District received a significant one-time operating gift in the prior year.

Total expenses of the School District increased by 36.3 percent in fiscal year 2019 compared with those reported in previous year. The $2.8 million increase can be attributed to the fact that pension and OPEB plans expenses for fiscal year 2019 were negative $172,354 compared with the negative $3.6 million in expenses reported for the prior year. The large swing in pension and OPEB expense from year to year demonstrate the significance the reported activity of the State-wide pension systems has on the School District's financial activity.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows total and net cost of services for each function for last two fiscal years.

TABLE 3
TOTAL AND NET COST OF PROGRAM SERVICES
GOVERNMENTAL ACTIVITIES

	2019		2018	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$ 6,120,139	$ 4,929,515	$ 3,112,815	$ 1,852,292
Support Services:				
Pupil and Instructional Staff	732,079	717,926	449,175	423,779
Board of Education, Administration, Fiscal and Business	1,052,360	1,052,360	574,977	574,977
Plant Operation and Maintenance	699,870	676,701	771,898	746,377
Pupil Transportation	472,426	472,426	350,723	350,723
Central	129,139	123,739	105,126	99,726
Operation of Non-Instructional Services	422,148	72,545	422,023	81,655
Extracurricular Activities	657,999	356,457	638,017	337,316
Interest and Fiscal Charges	373,791	373,791	1,397,752	1,397,752
Total Expenses	$ 10,659,951	$ 8,775,460	$ 7,822,506	$ 5,864,597

As shown in Table 3 above, the net cost of service increased by $2.9 million due to the increases reported in the functional expenses for the current year associated with recording the annual activity of the pension and OPEB plans mentioned above.

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $11.7 million and expenditures of $11.3 million which resulted in a net change of $425,202 in total governmental fund balance for the year. Revenues of the general fund increased by $240,899 due to increases in income and property taxes revenues. Total expenditures of the general fund increased by $624,275 over those reported for fiscal year 2018 due the increased cost of personnel, primarily wages and benefits, as well as capital outlay recorded for the current fiscal year. For fiscal year 2019, the fund balance for the general fund increased $267,126 compared with the increase of $381,112 reported for the prior year. The ending fund balance of the general fund was $3.3 million at June 30, 2019, of which approximately $2.2 million was reported as unassigned. The ending unassigned fund balance of the general fund at June 30, 2019 represents 23.5 percent of the total general fund expenditures reported for the fiscal year.

The School District's other major fund, the permanent improvement fund, reported an increase in fund balance ending the fiscal year at $545,624. The increase in the permanent improvement fund resulted for the significant repair and maintenance and capital projects undertaken in the prior year to complete the overall facilities plan as originally anticipated when the school facilities construction project began which were not needed during fiscal year 2019.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was $10.2 million as compared to the original budget estimates of $10.0 million. Despite the School District conservatively estimated the revenues at the beginning of the school year, actual budget basis revenue was only off by 1.9 percent from the original estimates. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were $9.6 million; 3.6 percent less than the total anticipated in the original budgeted appropriations. The various appropriation amendments approved during the course of the fiscal year decreased planned expenditures by $159,715 from those anticipated at the beginning of the year.

The actual budgetary fund balance for the general fund reported at the end of the fiscal year was $2.8 million compared with the $2.1 million anticipated when the original budget was developed. The final, adjusted budget adopted for the fiscal year anticipated an ending general fund balance of $2.1 million on a budget basis which was $665,825 less than the actual ending budgetary fund balance.

Capital Assets

At the end of fiscal year 2019, the School District had $21.5 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles in governmental activities. Table 4 shows fiscal year 2019 balances compared to 2018 balances; however, for greater detail readers should review Note 10 to the basic financial statements.

TABLE 4
CAPITAL ASSETS AT JUNE 30
(Net of Accumulated Depreciation)

	2019	2018
Land	$ 529,545	$ 529,545
Land Improvements	763,377	512,948
Buildings and Improvements	19,393,069	19,781,189
Furniture and Equipment	635,587	629,741
Vehicles	227,477	185,939
Construction in Progress	-	138,006
Total Net Capital Assets	$ 21,549,055	$ 21,777,368

Overall, net capital assets decreased $228,313 from fiscal year 2018 amounts. This decrease in net capital assets resulted primarily from current year depreciation of $690,098 being greater than capital asset additions of $461,785. Significant additions for the year were the addition of two new classrooms, improvements to parking lots, a new school bus, as well as other equipment purchases.

Cost associated with repair and maintenance of the School District's facilities and other assets that do not extend the useful life of the capitalized item, is included within the plant operation and maintenance function.

Debt Administration

At June 30, 2019, the School District had $11.1 million (including unamortized bond premiums) in general obligation bonds outstanding, of which $95,000 is due for payment during the next fiscal year. Principal payments for fiscal year 2019 were $150,000 on the general obligation bonds. In the prior year, the School District completed an advance refunding of a portion of the 2013 general obligation bonds which was undertaken to achieve an overall savings of $2.1 million in debt service payments and resulted in an economic gain (present value of the debt service savings) of $1.3 million for the School District. The refunding bonds issued to finance the advance refunding did not extend the overall period in which the School District will retire the debt obligations from the original bond issue.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Note 15 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Carol Forsythe, Treasurer at Covington Exempted Village School District, 807 Chestnut, Covington, OH 45318 or email at forsythec@covingtonk12.org.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	$ 4,196,747
Inventory Held for Resale	6,314
Materials and Supplies Inventory	2,356
Accounts Receivable	30,486
Intergovernmental Receivable	44,598
Income Taxes Receivable	1,138,998
Property Taxes Receivable	2,324,913
Net OPEB Asset	545,032
Capital Assets:	
Non Depreciable Assets	529,545
Depreciable Assets	21,019,510
Total Assets	29,838,499
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Charge on Refunding	893,793
Pension and OPEB	2,971,034
Total Deferred Outflows of Resources	3,864,827
LIABILITIES:	
Accounts Payable	83,195
Accrued Wages and Benefits	777,098
Intergovernmental Payable	197,900
Accrued Interest Payable	52,443
Long-Term Liabilities:	
Due Within One Year	131,593
Due In More Than One Year:	
Net Pension Liability	9,680,998
Net OPEB Liability	1,092,671
Other Amounts Due in More than One Year	11,701,073
Total Liabilities	23,716,971
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes not Levied to Finance Current Year Operations	1,995,766
Pension and OPEB	1,703,740
Total Deferred Inflows of Resources	3,699,506
NET POSITION:	
Net Investment in Capital Assets	12,385,957
Restricted for:	
Capital Outlay	597,194
Maintenance of Facilities	262,235
Student Activities	119,955
Other Purposes	75
Unrestricted	(7,078,567)
Total Net Position	$ 6,286,849

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$ 4,629,464	$ 802,986	$ 45,884	$ -	$ (3,780,594)
Special	1,489,506	81,028	260,726	-	(1,147,752)
Student Intervention Services	1,169	-	-	-	(1,169)
Support Services:					
Pupils	473,084	-	6,503	-	(466,581)
Instructional Staff	258,995	-	7,650	-	(251,345)
Board of Education	10,589	-	-	-	(10,589)
Administration	736,884	-	-	-	(736,884)
Fiscal	302,503	-	-	-	(302,503)
Business	2,384	-	-	-	(2,384)
Operation and Maintenance of Plant	699,870	6,169	-	17,000	(676,701)
Pupil Transportation	472,426	-	-	-	(472,426)
Central	129,139	-	5,400	-	(123,739)
Non-instructional Services	422,148	139,749	209,854	-	(72,545)
Extracurricular Activities	657,999	282,544	18,998	-	(356,457)
Interest and Fiscal Charges	373,791	-	-	-	(373,791)
Total	$ 10,659,951	$ 1,312,476	$ 555,015	$ 17,000	(8,775,460)

General Revenues:	
Property Taxes Levied for:	
General Purposes	1,969,359
Debt Service	331,075
Income Taxes Levied for:	
General Purposes	2,475,448
Debt Service	100,000
Facility Maintenance	47,892
Grants, Entitlements and Contributions not Restricted to Specific Programs	4,807,965
Investment Earnings	80,620
Miscellaneous	70,006
Total General Revenues	9,882,365
Change in Net Position	1,106,905
Net Position, Beginning of Year	5,179,944
Net Position, End of Year	$ 6,286,849

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	$ 2,958,920	$ 587,438	$ 650,389	$ 4,196,747
Receivables:				
Property Taxes	2,001,694	-	323,219	2,324,913
Income Taxes	1,138,998	-	-	1,138,998
Accounts	30,386	-	100	30,486
Intergovernmental	4,275	-	40,323	44,598
Materials and Supplies Inventory	-	-	2,356	2,356
Inventory Held for Resale	-	-	6,314	6,314
Total Assets	$ 6,134,273	$ 587,438	$ 1,022,701	$ 7,744,412
LIABILITIES:				
Accounts Payable	$ 24,939	$ 41,814	$ 16,442	$ 83,195
Accrued Wages and Benefits	723,592	-	53,506	777,098
Intergovernmental Payable	191,713	-	6,187	197,900
Total Liabilities	940,244	41,814	76,135	1,058,193
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	1,719,430	-	276,336	1,995,766
Unavailable Revenue	220,533	-	25,104	245,637
Total Deferred Inflows of Resources	1,939,963	-	301,440	2,241,403
FUND BALANCES:				
Nonspendable:				
Inventory	-	-	2,356	2,356
Restricted for:				
Debt	-	-	230,680	230,680
Capital Improvements	-	545,624	-	545,624
Facilities Maintenance	-	-	262,235	262,235
Educational Foundation	-	-	51,570	51,570
District Managed Activities	-	-	119,955	119,955
Assigned for:				
Extracurricular Activities	14,509	-	-	14,509
Subsequent Expenditures	118,806	-	-	118,806
Subsequent Appropriations	876,017	-	-	876,017
Unassigned	2,244,734	-	(21,670)	2,223,064
Total Fund Balances	3,254,066	545,624	645,126	4,444,816
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,134,273	$ 587,438	$ 1,022,701	$ 7,744,412

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances	$ 4,444,816
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	21,549,055
Certain receivables are not available to provide current financial resources and are reported as deferred inflows of resources in governmental funds:	
Property Taxes Receivable	34,633
Income Taxes Receivable	190,672
Intergovernmental Receivable	20,332
The net pension liability, as well as the net OPEB asset and liability, are not due and payable in the current period and not current resources; therefore, these assets, liabilities, and related deferred inflows/outflows are not reported in governmental funds:	
Net OPEB Asset	545,032
Deferred Outflows - Pension and OPEB	2,971,034
Deferred Inflows - Pension and OPEB	(1,703,740)
Net Pension Liability	(9,680,998)
Net OPEB Liability	(1,092,671)
Some liabilities and deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds. Those items consist of:	
General Obligation Bonds Payable	(9,815,438)
Accrued Interest Payable	(52,443)
Deferred Charges on Refunding	893,793
Unamortized Bond Premium	(1,256,903)
Compensated Absences Payable	(760,325)
Net Position of Governmental Activities	$ 6,286,849

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	$ 1,961,497	$ -	$ 330,399	$ 2,291,896
Income Taxes	2,479,258	-	147,892	2,627,150
Intergovernmental	4,758,629	-	521,127	5,279,756
Tuition and Fees	869,844	-	-	869,844
Interest	68,637	6,173	5,810	80,620
Extracurricular Activities	16,075	-	283,973	300,048
Customer Services and Sales	-	-	138,320	138,320
Gifts and Donations	24,094	17,000	56,853	97,947
Miscellaneous	23,261	-	5,919	29,180
Total Revenues	10,201,295	23,173	1,490,293	11,714,761
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,575,239	24,021	21,790	4,621,050
Special	1,332,873	-	247,124	1,579,997
Student Intervention Services	1,019	-	-	1,019
Support Services:				
Pupils	506,951	-	6,428	513,379
Instructional Staff	272,242	-	434	272,676
Board of Education	10,589	-	-	10,589
Administration	819,153	1,971	-	821,124
Fiscal	307,638	-	6,097	313,735
Operation and Maintenance of Plant	662,530	24,044	8,425	694,999
Pupil Transportation	503,118	-	-	503,118
Central	101,480	-	5,400	106,880
Operation of Non-Instructional Services	70,926	-	336,292	407,218
Extracurricular Activities	386,294	40,285	278,495	705,074
Capital Outlay	-	99,605	171,927	271,532
Debt Service:				
Principal	-	-	150,000	150,000
Interest	-	-	317,169	317,169
Total Expenditures	9,550,052	189,926	1,549,581	11,289,559
Revenues Over/(Under) Expenditures	651,243	(166,753)	(59,288)	425,202
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Assets	-	20,715	-	20,715
Insurance Recoveries	26,280	-	-	26,280
Transfers In	-	410,397	-	410,397
Transfers Out	(410,397)	-	-	(410,397)
Total Other Financing Sources (Uses)	(384,117)	431,112	-	46,995
Net Change in Fund Balances	267,126	264,359	(59,288)	472,197
Fund Balance, Beginning of Year	2,986,940	281,265	704,414	3,972,619
Fund Balance, End of Year	$ 3,254,066	$ 545,624	$ 645,126	$ 4,444,816

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

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, 2019

Total Net Change in Fund Balances - Total Governmental Funds	$	472,197
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense and report a gain or loss on the disposal of capital assets:		
Depreciation Expense		(690,098)
Capital Asset Additions		461,785
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Property Taxes		8,538
Income Taxes		(3,810)
Intergovernmental		2,277
Tuition and Fees		(1,905)
Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position:		
General Obligation Bonds		150,000
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued Interest Payable		419
Accreted Interest on Capital Appreciation Bonds		(72,579)
Amortization of Bond Premium		43,039
Amortization of Deferred Charge on Refunding		(27,501)
Compensated Absences Payable		(189,545)
Contractually required pension and OPEB plan contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources:		781,734
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension and negative OPEB expense within the statement of activities.		172,354
Change in Net Position of Governmental Activities	$	1,106,905

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	$ 1,932,992	$ 1,932,992	$ 1,961,797	$ 28,805
Income Taxes	2,422,234	2,422,234	2,503,871	81,637
Intergovernmental	4,866,175	4,866,175	4,777,015	(89,160)
Tuition and Fees	758,100	758,100	879,488	121,388
Interest	30,000	30,000	66,249	36,249
Rent	4,000	4,000	6,169	2,169
Gifts and Donations	10,159	10,000	14,657	4,657
Miscellaneous	578	503	6,277	5,774
Total Revenues	10,024,238	10,024,004	10,215,523	191,519
Expenditures:				
Current:				
Instruction:				
Regular	4,734,028	4,710,304	4,632,713	77,591
Special	1,264,528	1,266,528	1,304,074	(37,546)
Student Intervention Services	2,402	2,402	1,097	1,305
Other	154	154	33	121
Support Services:				
Pupils	487,373	489,330	496,462	(7,132)
Instructional Staff	185,877	215,877	261,189	(45,312)
Board of Education	12,409	12,409	10,589	1,820
Administration:	848,402	848,402	792,255	56,147
Fiscal	321,302	321,302	305,224	16,078
Operation and Maintenance of Plant	737,059	737,059	656,378	80,681
Pupil Transportation	528,367	528,367	510,341	18,026
Central	117,942	104,442	104,524	(82)
Operation of Non-Instructional Services	80,000	81,700	70,926	10,774
Extracurricular Activities	406,441	410,941	393,502	17,439
Capital Outlay	71,700	68,000	61,000	7,000
Debt Service:				
Issuance Costs	158,948	-	-	-
Total Expenditures	9,956,932	9,797,217	9,600,307	196,910
Excess of Revenues Over (Under) Expenditures	67,306	226,787	615,216	388,429
Other Financing Sources (Uses):				
Premium on Refunding Bonds Issued	158,948	-	-	-
Insurance Recoveries	7,270	7,270	26,280	19,010
Refund of Prior Year Expenditures	15,200	15,200	19,675	4,475
Refund of Prior Year Receipts	(200)	(200)	-	200
Transfers Out	(812,000)	(812,000)	(558,289)	253,711
Total Other Financing Sources (Uses)	(630,782)	(789,730)	(512,334)	277,396
Net Change in Fund Balance	(563,476)	(562,943)	102,882	665,825
Fund Balance, Beginning of Year	2,617,932	2,617,932	2,617,932	-
Prior Year Encumbrances Appropriated	81,886	81,886	81,886	-
Fund Balance, End of Year	$ 2,136,342	$ 2,136,875	$ 2,802,700	$ 665,825

See accompanying notes to the basic financial statements.

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency Fund
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 92,906	$ 42,489
Total Assets	92,906	42,489
LIABILITIES:		
Current Liabilities:		
Accounts Payable	-	309
Due to Students	-	42,180
Total Liabilities	-	$ 42,489
NET POSITION:		
Held in Trust for Scholarships	$ 92,906	

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions:	
Gifts and Donations	$ 34,497
Investment Earnings	1,265
Total Additions	35,762
Deductions:	
Payments in accordance with Trust Agreements	42,450
Total Deductions	42,450
Change in Net Position	(6,688)
Net Position, Beginning of Year	99,594
Net Position, End of Year	$ 92,906

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Covington Exempted Village School District (the "School District") is a body politic and corporate for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines.

The School District serves an area of approximately 35 square miles. It is staffed by 36 noncertified employees and 66 certified full-time teaching personnel who provide services to 755 students and other community members. The School District currently operates one instructional/support facility.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four jointly governed organizations, three insurance purchasing pools, and one related organization. These organizations are discussed in Notes 16, 17 and 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
- Metropolitan Educational Technology Association (META)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Upper Valley Career Center
- The Covington Education Fund

Insurance Purchasing Pools:
- Ohio School Boards Association Workers’ Compensation Group Rating Plan
- SOEPC Medical Benefits Plan
- Schools of Ohio Risk Sharing Authority (SORSA)

Related Organization:
- The J.R. Clarke Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund – A capital projects fund that is used to report income tax monies that have been transferred from the general fund that are restricted for expenditures in connection with purchase and construction, as well as repair and maintenance, of capital assets by the School District.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The private purpose trust fund accounts for monies held in trust for individual student scholarships. The student managed activities agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

Government-wide Financial Statements

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 School District are included on the Statement of Net Position. The Statement of Activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty (60) days of fiscal year end.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, pension, and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained further in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants, and student fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 12 and 13).

Expenditures/Expenses

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

E. Budget Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2019.

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

F. Cash and Cash Equivalents

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

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

The School District has invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to $68,637; which includes $5,537 assigned from other funds.

G. Inventory

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed rather than when purchased.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition values as of the date received. The School District maintains a capitalization threshold of $1,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost 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 for land and construction in progress 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.

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	10-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

I. Interfund Activity

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

J. 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 from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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 fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

The general obligation bonds and accrued interest that will be paid from governmental funds are recognized as a liability in the fund financial statements when payment is due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, if any, are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

L. Pensions/Other Postemployment Benefit (OPEB) Plans

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

M. 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:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the policies of the Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

N. Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2019, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 83, *Certain Asset Retirement Obligations* and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported, including requiring certain disclosures regarding AROs. The implementation of this accounting standard had no effect on the School District's financial statements for the current year.

GASB Statement No. 88 clarifies what information is to be disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Debt is defined for disclosure purposes as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Required disclosure include, unused line(s) of credit, assets pledged as collateral for the debt, terms specified in debt agreement related to defaults, significant termination events and significant subjective acceleration clauses. The implementation of this accounting standard had no effect on the School District's financial statements for the current year.

NOTE 4 – ACCOUNTABILITY

At June 30, 2019, the following non-major, special revenue funds had deficit fund balances:

	Fund Deficit
Non-major Govermental Funds:	
Food Service	$ 1,895
IDEA Part B - Special Education	9,442
Title I Grant	7,465
Special Education Preschool	512
Non-major Governmental Funds	$19,314

The above noted deficit fund balances resulted from accrued liabilities reported at year-end. The general fund is liable for any deficit in other funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as restricted, committed or assigned fund balance for governmental fund types (GAAP basis).

4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance General Fund	
GAAP Basis	$ 267,126
Net Revenue Accruals	45,517
Net Expenditure Accruals	55,730
Encumbrances	(141,752)
Net Other Financing Sources (Uses)	(128,217)
Change in Fund Balance of Funds Combined with General Fund for Reporting Purposes	4,478
Budget Basis	$ 102,882

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Active Monies – Those monies required to be kept in a "cash" or "near-cash" status for the immediate use of the district. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – 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 five years from the date of deposit, or by savings or deposit accounts, including passbook accounts. Interim monies held by the School District can be deposited or invested in the following securities:

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

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;

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

8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

At fiscal year-end, $896,493 of the School District's bank deposits was exposed to custodial credit risk because it was uninsured and collateralized, while $1,275,513 was covered by the FDIC. The uninsured deposits of the School District are covered by pooled collateral arrangements as explained below, however non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. The School District's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Ohio law requires that deposits either be insured or be protected by:

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

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

Investments

The School District's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code (the ORC) and includes the following:

Interest Rate Risk: The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The School District's investment policy limits investments to those authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address 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 School District places no limit on the amount that may be invested in any one issuer. At June 30, 2019, the only investment of the School District was STAR Ohio.

At June 30, 2019, the School District's investment in STAR Ohio totaled $2,307,000. STAR Ohio is rated AAAm by Standard and Poor's.

NOTE 7 - PROPERTY TAXES

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

NOTE 7 - PROPERTY TAXES (Continued)

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

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

The School District receives property taxes from Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2019 First Half Collections		2018 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate property	$ 102,781,010	95.74%	$ 101,388,340	95.87%
Public utility personal property	4,573,380	4.26%	4,371,890	4.13%
Total	$ 107,354,390	100.00%	$ 105,760,230	100.00%
Tax rate per $1,000 of assessed valuation	$33.79		$34.29	

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2019 was $249,946 in the general fund and $41,702 in the bond retirement fund. The amount available for advance at June 30, 2018 was $250,631 in the general fund and $48,210 in the bond retirement fund.

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

NOTE 8 – INCOME TAX

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on April 1, 1994 and is a continuing tax. The School District's residents also approved an additional one and a quarter percent, for five years, effective January 2006 and has been subsequent renewed through 2020. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general, debt service and facilities maintenance funds.

An additional one-quarter percent continuing income tax was passed in May 2013, effective January 1, 2014, along with a 3.89 mill bond levy, to fund the construction of a new pre-kindergarten through eighth grade school facility and renovations to the existing high school building.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2019, consisted of current and delinquent property taxes, income taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Miscellaneous amounts due from other governments	$ 4,275
Non-major Govermental Funds:	
Title VI-B Grant	25,947
Title I Grant	14,301
Title IV-A Grant	75
Non-major Governmental Funds	40,323
Total Intergovernmental Receivables	$ 44,598

NOTE 10 - CAPITAL ASSETS

A summary of the School District's general capital assets for fiscal year 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets, not being depreciated				
Land	$ 529,545	$ -	$ -	$ 529,545
Construction in Progress	138,006	-	(138,006)	-
	667,551	-	(138,006)	529,545
Capital Assets, being depreciated				
Land Improvements	1,200,522	308,562	-	1,509,084
Buildings and Improvements	22,866,505	101,900	-	22,968,405
Furniture and Equipment	1,026,671	100,457	-	1,127,128
Vehicles	646,036	88,872	-	734,908
Total Depreciable Capital Assets	25,739,734	599,791	-	26,339,525

(continued)

NOTE 10 - CAPITAL ASSETS (Continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Less: Accumulated Depreciation				
Land Improvements	(687,574)	(58,133)	-	(745,707)
Buildings and Improvements	(3,085,316)	(490,020)	-	(3,575,336)
Furniture and Equipment	(396,930)	(94,611)	-	(491,541)
Vehicles	(460,097)	(47,334)	-	(507,431)
Total Accumulated Depreciation	(4,629,917)	(690,098) *	-	(5,320,015)
Depreciable Capital Assets, Net	21,109,817	(90,307)	-	21,019,510
Total Capital Assets, Net	$ 21,777,368	$ (90,307)	$ (138,006)	$ 21,549,055

*** - Depreciation expense was charged to governmental functions as follows:**

Instruction:	
Regular	$ 533,838
Other	150
Support Services:	
Pupil Support	3,057
Instructional Support	333
Administration	2,775
Business	2,384
Operation and maintenance of plant	29,663
Pupil transportation	47,504
Central	22,091
Operation of non-instructional services	13,892
Extracurricular activities	34,411
Total Depreciation Expense	$ 690,098

NOTE 11 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. For fiscal year 2019, the School District joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the ORC.

The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a nine-member board consisting of superintendents, treasurers and business managers.

The York Risk Services Group is responsible for processing claims. Willis Pooling Practice serves as the Plan's administrator, sales representative, and marketing representative who establish agreements between the Plan and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

NOTE 11 - RISK MANAGEMENT (Continued)

Coverage limits as of June 30, 2019 are as follows:

Buildings and Contents - replacement cost (all members)	$ 350,000,000
Inland Marine Coverage (all members)	300,000,000
Automobile Liability	15,000,000
General Liability:	
Per Occurrence	15,000,000
Annual Aggregate	17,000,000
Crime Coverage	1,000,000

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for any part of the last three years.

Workers' Compensation

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

Medical Benefits

The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool. The intent of the MBP is to achieve the benefit of reduced health insurance costs for the School District by virtue of its grouping and representation with other participants in the MBP. Premium rates are calculated for each district based on a combination of each district's experience and the MBP experience. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts who are members of the SOEPC.

NOTE 12 - 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

GASB Statement No. 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 contractually-required pension contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019 and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0.0 percent.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $184,877 for fiscal year 2019. Of this amount, $30,375 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions 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 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 Statement No. 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $565,181 for fiscal year 2019. Of this amount, $98,968 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 2,223,145	$ 7,457,853	$ 9,680,998
Proportion of the net pension liability	0.038817%	0.033918%	
Change in proportionate share	0.004293%	-0.000370%	
Pension expense	$ 219,600	$ 750,400	$ 970,000

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 121,925	$ 172,151	$ 294,076
Change in assumptions	50,203	1,321,671	1,371,874
Change in School District's proportionate share and difference in employer contributions	140,953	177,184	318,137
School District contributions subsequent to the measurement date	184,877	565,181	750,058
Total	$ 497,958	$ 2,236,187	$ 2,734,145
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ 48,705	$ 48,705
Net difference between projected and actual earnings on pension plan investments	61,597	452,236	513,833
Change in School District's proportionate share and difference in employer contributions	94,998	60,284	155,282
Total	$ 156,595	$ 561,225	$ 717,820

$750,058 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 195,433	$ 688,017	$ 883,450
2021	52,902	483,591	536,493
2022	(72,958)	48,707	(24,251)
2023	(18,891)	(110,534)	(129,425)
	$ 156,486	$ 1,109,781	$ 1,266,267

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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 consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

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 on and after April 1, 2018; COLA's for retirees will be delayed for three years following retirement
Investment rate of return	7.50 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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 asset class are summarized in the following table:

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
Total	100.00%	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, 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 (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 3,131,467	$ 2,223,145	$ 1,461,577

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increases	3.00 percent
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Cost-of-living adjustments (COLA)	0.00 percent

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
Total	100.00%	

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% 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% as of June 30, 2018. 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. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 10,891,212	$ 7,457,853	$ 4,551,980

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Net OPEB Liability (Asset)

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

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

GASB Statement No. 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 (asset). Resulting adjustments to the net OPEB liability (asset) 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* or fully-funded benefits as the long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, the minimum compensation amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was $24,829.

The surcharge plus the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS, including surcharge, was $31,676 for fiscal year 2019. Of this amount $25,954 is reported as an intergovernmental payable.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (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% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

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

	SERS	STRS	Total
Proportionate share of the net OPEB asset	$ -	$ 545,032	$ 545,032
Proportionate share of the net OPEB liability	1,092,671	-	1,092,671
Proportion of the net OPEB asset/liability	0.039386%	0.033918%	
Change in proportionate share	0.004404%	-0.000370%	
OPEB (negative) expense	$ 39,592	$ (1,181,946)	$ (1,142,354)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 17,837	$ 63,660	$ 81,497
Difference between employer contributions and proportionate share of contributions	111,683	12,033	123,716
School District contributions subsequent to the measurement date	31,676	-	31,676
Total	$ 161,196	$ 75,693	$ 236,889

(continued)

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

	SERS	STRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ 31,757	$ 31,757
Net difference between projected and actual earnings on OPEB plan investments	1,638	62,267	63,905
Change in assumptions	98,169	742,649	840,818
Difference between employer contributions and proportionate share of contributions	36,249	13,191	49,440
Total	$ 136,056	$ 849,864	$ 985,920

$31,676 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (39,903)	$ (138,192)	$ (178,095)
2021	(26,240)	(138,192)	(164,432)
2022	17,034	(138,192)	(121,158)
2023	17,732	(124,051)	(106,319)
2024	17,618	(119,087)	(101,469)
2025	7,223	(116,457)	(109,234)
	$ (6,536)	$ (774,171)	$ (780,707)

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 consider the employee's entire career with the employer and 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.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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

Investment rate of return, including inflation	7.50% net of investment expense
Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Municipal bond index rate:	
Prior measurement date	3.56%
Measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Prior measurement date	3.63%
Measurement date	3.70%
Medical Trend Assumption:	
Pre-Medicare	7.25% - 4.75%
Medicare	5.375% - 4.75%

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

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%, 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 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 in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
Total	100.00%	

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62% as of June 30, 2018 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and 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 calculated using the discount rate of 3.70%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70%) and one percentage point higher (4.70%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	$ 1,325,871	$ 1,092,671	$ 908,021

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.25% decreasing to 3.75%) and one percentage point higher (8.25% decreasing to 5.75%) than the current rates.

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	$ 881,585	$ 1,092,671	$ 1,372,187

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement.

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

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

Since the prior measurement date, the discount rate was increased from 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and the remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 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:

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
Total	100.00%	

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB asset calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	$ 467,143	$ 545,032	$ 610,493

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
School District's proportionate share of the net OPEB asset	$ 606,797	$ 545,032	$ 482,303

NOTE 14 – INTERFUND TRANSACTIONS

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. During fiscal year 2019, the general fund transferred $410,397 to the permanent improvement fund to provide operating resources to the fund as permitted by State law.

NOTE 15 - LONG-TERM OBLIGATIONS

The activity of the School District's long-term obligations during fiscal year 2019 was as follows:

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019	Due within One Year
General Obligation Bonds:					
Series 2013 Bonds					
Current Interest	$ 160,000	$ -	$ 25,000	$ 135,000	$ 25,000
Capital Appreciation	65,000	-	-	65,000	-
Accreted Interest	72,361	25,709	-	98,070	-
Series 2017 Refunding Bonds					
Current Interest	8,340,000	-	125,000	8,215,000	70,000
Capital Appreciation	385,000	-	-	385,000	-
Accreted Interest	870,498	46,870	-	917,368	-
Bond Premiums	1,299,942	-	43,039	1,256,903	-
Total General Obligation Bonds	11,192,801	72,579	193,039	11,072,341	95,000
Net Pension Liability:					
STRS	8,145,269	-	687,416	7,457,853	-
SERS	2,062,763	160,382	-	2,223,145	-
Total Net Pension Liability	10,208,032	160,382	687,416	9,680,998	-
Net OPEB Liability:					
STRS	1,337,804	-	1,337,804	-	-
SERS	938,822	153,849	-	1,092,671	-
Total Net OPEB Liability	2,276,626	153,849	1,337,804	1,092,671	-
Compensated Absences	570,780	241,038	51,493	760,325	36,593
Total Long-Term Obligations	$ 24,248,239	$ 627,848	$ 2,269,752	$ 22,606,335	$ 131,593

Compensated absences as well as the required pension and OPEB plan contributions will be paid from the fund which the employee's salaries are paid; which for the School District is primarily the general fund.

2013 School Facilities Construction and Improvement Bonds

On September 5, 2013, the School District issued $9 million in general obligation serial bonds for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund.

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

The issue is comprised of both current interest serial bonds, par value of $8,935,000, and capital appreciation bonds, par value of $65,000. The interest rates on the current interest bonds range from 1.0% to 6.0%. The capital appreciation bonds mature on November 1, 2022 through November 1, 2030 (stated interest rates ranging from 7.77% to 25.33%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $770,000 in total. Total accreted interest of $98,070 for the Series 2013 capital appreciation bonds has been included on the statement of net position at June 30, 2019. $8,720,000 of these bonds were refunded through the issuance of the 2017 refunding bonds discussed below, which revised the final maturity of these bonds to November 1, 2030.

2017 General Obligation Refunding Bonds

On December 28, 2017, the School District issued $8,725,000 in general obligation refunding bonds to provide resources to purchase U.S. Government securities which were placed, along with premium proceeds received from the sale of the bonds, in an irrevocable trust for the purpose of generating sufficient resources to satisfy the debt service requirements of $8,720,000 of the 2013 school facilities construction and improvement bonds at the call date of November 1, 2021. As a result, the refunded bonds are considered defeased and the liability associated with these bonds have been removed from the statement of net position. The reacquisition price exceeded the net carrying value of the old debt, and associated premium, by $935,045. This amount is reported as a deferred outflow of resources on the statement of net position and is being amortized over the term of the 2017 refunding bonds issued.

The 2017 issue is comprised of both current interest serial bonds, par value of $8,340,000, and capital appreciation bonds, par value of $385,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature on November 1, 2032 through November 1, 2039 (stated interest rates ranging from 9.90% to 10.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $2,460,000 in total. Total accreted interest of $917,368 for the 2017 capital appreciation bonds has been included on the statement of net position at June 30, 2019. The final maturity date is November 1, 2051.

The following is a summary of the School District's future annual debt service requirements to maturity for its general obligation bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ended June 30,	Principal	Interest	Total	Principal	Interest	Total
2020	$ 95,000	$ 314,656	$ 409,656	$ -	$ -	$ -
2021	100,000	312,494	412,494	-	-	-
2022	155,000	308,984	463,984	-	-	-
2023	135,000	304,600	439,600	10,000	20,000	30,000
2024	155,000	299,475	454,475	10,000	25,000	35,000
2025-2029	780,000	1,403,475	2,183,475	35,000	415,000	450,000
2030-2034	825,000	1,232,575	2,057,575	130,000	695,000	825,000
2035-2039	285,000	1,121,375	1,406,375	225,000	1,315,000	1,540,000
2040-2044	1,495,000	968,775	2,463,775	40,000	310,000	350,000
2045-2049	2,475,000	569,963	3,044,963	-	-	-
2050-2052	1,850,000	99,575	1,949,575	-	-	-
Total	$ 8,350,000	$ 6,935,947	$ 15,285,947	$ 450,000	$ 2,780,000	$ 3,230,000

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Legal Debt Limits

At June 30, 2019, the School District's overall legal debt limit was $9,661,895 and the un-voted debt limit was $1,073,544. ORC Section 133.06(I) permits school districts to incur net indebtedness in excess of the 9% limitation, without obtaining the consent of the State Superintendent and the Tax Commissioner, when bond proceeds will be used exclusively to fund a school district's Commission-required local effort. Accordingly, the proceeds of the bonds will be used exclusively to fund the School District's Commission-required local effort, and, as a result, are not subject to State consents/special needs approval.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META Solutions)

Metropolitan Educational Technology Association (META) is a computer consortium and educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META Solutions consists of a president, vice-president, and six board members who represent the members of META. The Board works with META's chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district's degree of control is limited to its representation on the Board. The School District paid META $23,513 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as interim Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 126 public school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year 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 general fund. The School District did not make any payments to the SOEPC in fiscal year 2019. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Upper Valley Career Center

The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or educational service center: Piqua, Shelby, Sidney, and Troy City School Districts and Midwest Education Service Center. To obtain financial information, write to the Upper Valley Career Center, Anthony Fraley, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

The Covington Education Fund

The Covington Education Fund is a component fund of the Troy Foundation. The purpose of the Education Fund is to promote general education enrichment in the community of Covington.

The Covington Education Fund is governed by a Distribution Committee appointed by each of the following: Star Bank of Troy, Covington Village Council, Covington Chamber of Commerce, Covington Board of Education, and Newberry Township Trustees. The Distribution Committee possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsides. Financial information can be obtained from Melissa Kleptz, Executive Director, The Troy Foundation, 216 West Franklin Street, Troy, Ohio 45373.

NOTE 17 – INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designees, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Teri Morgan, Deputy Director of Management Services, at 8050 North High Street Suite 100, Columbus, Ohio 45235.

The intent of the Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Program.

NOTE 17 – INSURANCE PURCHASING POOLS (Continued)

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust). The Trust is a public entity shared risk pool consisting of 95 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501C(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Schools of Ohio Risk Sharing Authority ("SORSA")

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA) which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-profit Corporations and functioning under the authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers.

SORSA is governed by a nine-member Board of Directors, each a current public school administrator, elected by and from, the membership for a three year term. The BOD meets ten times a year and is involved in all aspects of the program. The Board retains legal counsel with Peck, Shaffer & Williams LLC. SORSA is managed by an Executive Director. Willis Pooling administers the pool and York Risk Services Group manages the claims. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

NOTE 18– RELATED ORGANIZATION

The J.R. Clarke Public Library

The J.R. Clarke Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of seven Trustees. Covington Board of Education approves the appointment of trustees to the Library Board. Each Trustee is in office for a term of seven years.

The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the J.R. Clarke Public Library, Mary Beth Benedict, who serves as Treasurer, 102 East Spring Street, Covington, Ohio 45318.

NOTE 19 - CONTINGENCIES

Grants

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

Full-Time Equivalency Review

The School District funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the end of the fiscal year.

Litigation

The School District is not currently party to any legal proceedings, as either plaintiff or defendant, where management believes the outcome would be material to these financial statements.

NOTE 21 - SET-ASIDE CALCULATION

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

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

Set-aside Reserve Balance as of June 30, 2018	$ -
Current Year Set-aside Requirement	151,484
Current Year Offsets	(208,289)
Total	$ (56,805)
Balance Carried forward to FY 2020	$ -
Set-aside Reserve Balance June 30, 2019	$ -

NOTE 21 - SET-ASIDE CALCULATION (Continued)

Although the School District had qualifying disbursements during the year that further reduced the set-aside below zero due to current year offsets, the extra amounts may not be used to reduce the set-aside requirements of future years. As such, there was no need to present information concerning such disbursements.

During fiscal year 2014, the School District issued $9,000,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented each year as a "qualifying offset from bond proceeds" is limited to an amount needed to reduce the reserve for capital improvement to zero. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was $8,893,663 at June 30, 2019.

NOTE 22 - ENCUMBRANCES

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	$ 141,752
Permanent Improvement Fund	258,099
Non-major Governmental Funds	78,140
	$ 477,991

NOTE 23 – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. The investments of the pension and other post-employment benefit plans in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST SIX FISCAL YEARS (1) (2)

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.036672%	$ 2,180,766	$ 1,003,027	217.42%	65.52%
2015	0.036672%	1,855,949	1,065,606	174.17%	71.70%
2016	0.038689%	2,207,609	1,164,727	189.54%	69.16%
2017	0.037266%	2,727,508	1,157,336	235.67%	62.98%
2018	0.034525%	2,062,763	1,143,493	180.39%	69.50%
2019	0.038817%	2,223,145	1,263,259	175.98%	71.36%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

Changes of benefit and funding terms. In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST SIX FISCAL YEARS (1) (2)

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.032975%	$ 9,554,130	3,355,346	284.74%	69.30%
2015	0.032975%	8,020,637	3,369,123	238.06%	74.70%
2016	0.032842%	9,076,690	3,426,557	264.89%	72.10%
2017	0.033973%	11,371,908	3,574,650	318.13%	66.80%
2018	0.034288%	8,145,269	3,769,586	216.08%	75.30%
2019	0.033918%	7,457,853	3,855,929	193.41%	77.30%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and 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. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	$ 134,507	$ (134,507)	$ -	$ 993,405	13.54%
2011	130,053	(130,053)	-	1,034,630	12.57%
2012	142,145	(142,145)	-	1,056,840	13.45%
2013	138,819	(138,819)	-	1,003,027	13.84%
2014	147,693	(147,693)	-	1,065,606	13.86%
2015	153,511	(153,511)	-	1,164,727	13.18%
2016	162,027	(162,027)	-	1,157,336	14.00%
2017	160,089	(160,089)	-	1,143,493	14.00%
2018	170,540	(170,540)	-	1,263,259	13.50%
2019	184,877	(184,877)	-	1,369,459	13.50%

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTION
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	$ 451,624	$ (451,624)	$ -	$ 3,474,031	13.00%
2011	475,291	(475,291)	-	3,656,085	13.00%
2012	457,774	(457,774)	-	3,521,338	13.00%
2013	436,195	(436,195)	-	3,355,346	13.00%
2014	437,986	(437,986)	-	3,369,123	13.00%
2015	479,718	(479,718)	-	3,426,557	14.00%
2016	500,451	(500,451)	-	3,574,650	14.00%
2017	527,742	(527,742)	-	3,769,586	14.00%
2018	539,830	(539,830)	-	3,855,929	14.00%
2019	565,181	(565,181)	-	4,037,007	14.00%

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS (1) (2)

	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.037561%	$ 1,070,632	$ 1,157,336	92.51%	11.49%
2018	0.034982%	938,822	1,143,493	82.10%	12.46%
2019	0.039386%	1,092,671	1,263,259	86.50%	13.57%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and 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 among disabled members.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

Change in benefit and funding terms. In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST THREE FISCAL YEARS (1) (2)

	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.033973%	$ 1,816,904	$ 3,574,650	50.83%	37.3%
2018	0.034288%	1,337,807	3,769,586	35.49%	47.1%
2019	0.033918%	(545,032)	3,855,929	(14.13%)	176.0%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumption. For measurement year 2017, 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)* , and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

Change in benefit terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced 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.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S OPEB CONTRIBUTION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 18,132	$ (18,132)	$ -	$ 1,157,336	1.57%
2017	18,823	(18,823)	-	1,143,493	1.65%
2018	27,619	(27,619)	-	1,263,259	2.19%
2019	31,676	(31,676)	-	1,369,459	2.31%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S OPEB CONTRIBUTION
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ -	$ -	$ -	$ 3,574,650	0.00%
2017	-	-	-	3,769,586	0.00%
2018	-	-	-	3,855,929	0.00%
2019	-	-	-	4,037,007	0.00%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Total net position reported at June 30, 2018 increased by 250 percent from beginning balance as the School District reported significant decreases in the net pension and OPEB liabilities reported for the current year compared with the increase reported in the prior fiscal year.

- Total assets of governmental activities increased by approximately $533,000 (1.9 percent) from one year prior as the increase in net capital assets reported for the year resulted from spending cash resources. The depreciation expense reported for the year decreased the amount the capital asset accounts increased during the year. The increase reported for the deferred outflows of resources was related to the School District's proportionate share of the State-wide pension systems' net pension liability components as well as the recognition of the advance debt refunding undertaken during fiscal year 2018.

- Total liabilities decreased $2.5 million, or 9.1 percent, during the fiscal year as the decrease in the net pension and OPEB liabilities reported at June 30, 2018 were more than increases reported in other categories for the year.

- General revenues accounted for $9.6 million or 83.0 percent of total revenue. Program specific revenues in the form of charges for services, as well as operating grants and contributions account for $2.0 million or 17.0 percent of total revenues of $11.5 million. Total revenue reported for fiscal year 2018 was approximately $250,000 (2.2 percent) more than the amount reported for the prior year. Additional tuition and fees revenue received from other school districts, increases in educational grant allocations from the Ohio Department of Education, as well as increased income tax revenues, account for the increase in revenues for the current year.

- Total expenses of the School District decreased by approximately $3.8 million (33.0 percent) compared to the prior year as pension and OPEB plans expenses for fiscal year 2018 were negative $3.6 million compared with the positive $1.2 million in expenses reported for the prior year. The positive change in pension and OPEB expense were significantly more than personnel related increases (wages and benefits) for the current year. Of the School District's $7.8 million in expenses, only $2.0 million were offset by program specific charges for services, grants or contributions. General revenues were used to cover the net expense of $5.8 million.

- The General Fund, the School District's primary operating fund, reported a 14.6 percent increase in fund balance for fiscal year 2018 primarily due to the increases in income taxes as well as gifts and donations reported for the year. The $2.5 million, unassigned fund balance reported at June 30, 2018 represents 28.1 percent of the total expenditures reported for the General Fund for the fiscal year.

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 School 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 School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. While the General Fund is the general operating fund of the School District, individual fund statements are also presented for the Permanent Improvement Fund since it is also considered a major governmental fund by the School District.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins after the statement of activities. The School District uses many funds to account for a multitude of financial transactions. All the funds of the School District can be divided into two categories: governmental and fiduciary funds. The School District does not have any funds which are classified as proprietary. The fund financial statements focus on the School District's most significant funds, and therefore only the major funds are presented separate from the other funds. For fiscal year 2018, the School District has two major governmental funds: the General and Permanent Improvement Funds.

Governmental Funds

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support programs of the School District. The accounting used for fiduciary funds is much like that in the government-wide financial statements.

The School District as a Whole

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

TABLE 1
NET POSITION

	2018	Restated 2017
Assets:		
Current and other Assets	$ 7,311,673	$ 7,426,475
Capital Assets	21,777,368	21,129,950
	29,089,041	28,556,425
Deferred Outflows of Resources		
Pension and OPEB	3,398,787	2,837,510
Other Deferred Outflows	921,294	-
	4,320,081	2,837,510
Liabilities:		
Current and Other Liabilities	1,159,717	1,154,597
Long-Term Liabilities:		
Due within One Year	183,613	53,543
Due in More Than One Year:		
Net Pension Liability	10,208,032	14,099,416
Net OPEB Liability	2,276,626	2,887,536
Other Long-term Liabilities	11,579,968	9,752,428
	25,407,956	27,947,520

(Continued)

TABLE 1
NET POSITION
(Continued)

	2018	Restated 2017
Deferred Inflows of Resources		
Pension and OPEB	829,560	73,819
Other Deferred Inflows	1,991,662	1,894,367
	2,821,222	1,968,186
Net Position		
Net Investment in Capital Assets	12,448,720	11,930,771
Restricted	635,388	1,378,887
Unrestricted	(7,904,164)	(11,831,429)
	$ 5,179,944	$ 1,478,229

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or 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 required the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement systems. 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 pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $4.3 million to $1.5 million.

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2018, the School District's total net position was $5.2 million. Of that amount, approximately $12.4 million was the net investment in capital assets. Another $635,388 was subject to external restrictions upon its use. The remaining deficit of $7.9 million resulted from the School District's recognition of its proportionate share of the retirement systems' net pension and OPEB liabilities. If the components of recording the net pension and OPEB liabilities are removed from the Statement of Net Position, the School District's ending unrestricted net position would be approximately $2.0 million. We feel this is important to mention as the management of the School District has no control over the management of the State-wide pension or OPEB plans or the benefits offered; both of which control the net pension and OPEB liabilities which have a significant effect on the School District's financial statements.

Total assets increased by $532,616 at June 30, 2018 compared to one year prior as the increase in net capital assets reported for the year resulted from spending cash resources. The depreciation expense reported for the year partially offset the amount the capital asset accounts increased during the year. The increase reported for the deferred outflows of resources was related to the School District's proportionate share of the State-wide net pension and OPEB liabilities' components as well as the recognition of a deferred charge on refunding which resulted from the advance debt refunding transaction completed during the year.

Total liabilities decreased $2.5 million, or 9.1 percent, during the fiscal year due to the decreases in the net pension and OPEB liabilities previously mentioned. All other liabilities increased due to increases in payables related to various improvement projects, increase in debt obligation amounts associated with the advance refunding, as well as the increase in accrued wages and benefits payable.

Deferred inflows of resources increased by $853,036 due to higher property taxes receivable amounts recognized for the current year, but which are intended to fund the next fiscal year as well as increases in the net pension and OPEB liabilities' components recognized for the year.

Table 2 shows the changes in net position for fiscal year 2018 as compared to those for fiscal year 2017.

TABLE 2
CHANGES IN NET POSITION

	2018	Restated 2017
Revenues		
Program Revenues:		
Charges for Services	$ 1,211,958	$ 1,160,778
Operating Grants and Contributions	732,806	628,499
Capital Grants and Contributions	13,145	18,378
General Revenues:		
Property Taxes	2,228,466	2,332,125
Income Taxes	2,452,166	2,287,825
Grants and Entitlements	4,808,933	4,741,415
Other	76,747	107,859
Total Revenues	11,524,221	11,276,879
Program Expenses		
Instruction	3,112,815	6,718,454
Support Services:		
Pupil and Instructional Staff	449,175	683,700
Board of Education, Administration, Fiscal, and Business	574,977	1,296,607
Plant Operation and Maintenance	771,898	845,491
Pupil Transportation	350,723	456,957
Central	105,126	92,387
Operation of Non-Instructional Services	422,023	452,218
Extracurricular Activities	638,017	659,435
Interest and Fiscal Charges	1,397,752	467,102
Total Expenses	7,822,506	11,672,351
Change in Net Position	3,701,715	(395,472)
Beginning Net Position - Restated	1,478,229	N/A
Ending Net Position	$ 5,179,944	$ 1,478,229

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 equal to the contractually required contributions to the plans (GASB 27), which was $18,823. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows or resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $370,393. Consequently, in order to compare 2018 total program expense to 2017, the following adjustments are needed.

Total FY2018 program expenses under GASB 75	$	7,822,506
Negative OPEB expense under GASB 75		370,393
FY2018 contractually required OPEB contributions		27,619
Adjusted FY2018 program expenses		8,220,518
Total FY2017 program expenses under GASB 45		11,672,351
Decrease in program expenses not related to OPEB	$	(3,451,833)

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for local operating funds. The overall revenue generated by a voted property tax levy does not increase solely as a result of inflation. Local taxes (property and income) made up 40.6 percent of the total revenue for governmental activities for the School District for fiscal year 2018, compared to 41.0 percent in the prior fiscal year. Local tax revenue increased by $60,682 as the increase in income tax revenues offset the decrease in property tax revenue reported for the year. Unrestricted grants and entitlements increased by $67,518 (1.4 percent) as state foundation funding received for the current year increased slightly. Program revenue increased by $150,254 due primarily to higher amounts of tuition and fees received by the School District for the current year associated with services provided to out of district students.

Total expenses of the School District decreased by 33.0 percent in fiscal year 2018 compared with those reported in previous year. The $3.8 million decrease can be attributed to the fact that pension and OPEB plans expenses for fiscal year 2018 were negative $3.6 million compared with the positive $1.2 million in expenses reported for the prior year. The positive effect the pension and OPEB plans had on expenses was significantly more than personnel related increases (wages and benefits) for the current year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows total and net cost of services for each function for last two fiscal years.

TABLE 3
TOTAL AND NET COST OF PROGRAM SERVICES
GOVERNMENTAL ACTIVITIES

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$ 3,112,815	$ 1,852,292	$ 6,718,454	$ 5,627,532
Support Services:				
Pupil and Instructional Staff	449,175	423,779	683,700	674,096
Board of Education, Administration, Fiscal and Business	574,977	574,977	1,296,607	1,296,607
Plant Operation and Maintenance	771,898	746,377	845,491	814,508
Pupil Transportation	350,723	350,723	456,957	456,957
Central	105,126	99,726	92,387	86,987
Operation of Non-Instructional Services	422,023	81,655	452,218	98,143
Extracurricular Activities	638,017	337,316	659,435	342,764
Interest and Fiscal Charges	1,397,752	1,397,752	467,102	467,102
Total Expenses	$ 7,822,506	$ 5,864,597	$ 11,672,351	$ 9,864,696

As shown in Table 3 above, the net cost of service decreased by $4.0 million due to the decreases reported in the functional expenses for the current year.

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $11.5 million and expenditures of $11.9 million which resulted in a net change of $(367,587) in total governmental fund balance for the year. Revenues of the general fund increased by $347,245 due to increases in income tax revenues and donations received for the year. Total expenditures of the general fund increased by $300,923 over those reported for fiscal year 2017 due the increased cost of personnel, primarily wages and benefits. For fiscal year 2018, the fund balance for the general fund increased $381,112 compared with the increase of $304,751 reported for the prior year. The ending fund balance of the general fund was $3.0 million at June 30, 2018, of which approximately $2.5 million was reported as unassigned. The ending unassigned fund balance of the general fund at June 30, 2018 represents 28.1 percent of the total general fund expenditures reported for the fiscal year.

The School District's other major fund, the permanent improvement fund, reported a decrease in fund balance ending the fiscal year at $281,265. The decrease in the permanent improvement fund resulted for the additional repair and maintenance and capital projects undertaken to complete the overall facilities plan as originally anticipated when the school facilities construction project began.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was $10.1 million as compared to the original budget estimates of $9.7 million. Despite the School District conservatively estimated the revenues at the beginning of the school year, actual budget basis revenue was only off by 3.5 percent from the original estimates. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were $8.9 million; 4.6 percent less than the total anticipated in the original budgeted appropriations. The various appropriation amendments approved during the course of the fiscal year did not significantly alter planned expenditures from those anticipated at the beginning of the year.

The actual budgetary fund balance for the general fund reported at the end of the fiscal year was $2.6 million compared with the $1.8 million anticipated when the original budget was developed. The final, adjusted budget adopted for the fiscal year anticipated an ending general fund balance of $2.0 million on a budget basis which was $645,600 less than the actual ending budgetary fund balance.

Capital Assets

At the end of fiscal year 2018, the School District had $22.0 million invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and construction in progress in governmental activities. Table 4 shows fiscal year 2018 balances compared to 2017 balances; however, for greater detail readers should review Note 10 to the basic financial statements.

TABLE 4
CAPITAL ASSETS AT JUNE 30
(Net of Accumulated Depreciation)

	2018	Restated 2017
Land	$ 529,545	$ 529,545
Land Improvements	512,948	352,502
Buildings and Improvements	19,781,189	19,339,830
Furniture and Equipment	629,741	649,225
Vehicles	185,939	228,288
Construction in Progress	138,006	30,560
Total Net Capital Assets	$ 21,777,368	$ 21,129,950

Overall, net capital assets increased $647,418 from fiscal year 2017 restated amounts. This increase in net capital assets resulted primarily from completing the renovation of the administrative offices, including the corridor connecting it to the school building, improvements to parking lots and athletic fields, as well as other equipment purchases. Depreciation expense for the fiscal year was $653,416 with total additions to capital assets amounting to $1.3 million.

Cost associated with repair and maintenance of the School District's facilities and other assets that do not extend the useful life of the capitalized item, is included within the plant operation and maintenance function.

Debt Administration

At June 30, 2018, the School District had $11.2 million (including unamortized bond premiums) in general obligation bonds outstanding, of which $150,000 is due for payment during the next fiscal year. Principal payments for fiscal year 2018 were only $20,000 on the general obligation bonds. However, during the year the School District completed an advance refunding of a portion of the 2013 general obligation bonds which was undertaken to achieve an overall savings of $2.1 million in debt service payments and resulted in an economic gain (present value of the debt service savings) of $1.3 million for the School District. The refunding bonds issued to finance the advance refunding did not extend the overall period in which the School District will retire the debt obligations from the original bond issue.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Note 15 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Carol Forsythe, Treasurer at Covington Exempted Village School District, 807 Chestnut, Covington, OH 45318 or email at forsythec@covingtonk12.org.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	$ 3,850,646
Inventory Held for Resale	4,263
Materials and Supplies Inventory	1,065
Accounts Receivable	2,965
Intergovernmental Receivable	114,132
Income Taxes Receivable	1,019,529
Property Taxes Receivable	2,319,073
Capital Assets:	
Non Depreciable Assets	667,551
Depreciable Assets	21,109,817
Total Assets	29,089,041
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Charge on Refunding	921,294
Pension and OPEB	3,398,787
Total Deferred Outflows of Resources	4,320,081
LIABILITIES:	
Accounts Payable	215,249
Accrued Wages and Benefits	696,878
Intergovernmental Payable	168,688
Matured Compensated Absences	26,040
Accrued Interest Payable	52,862
Long-Term Liabilities:	
Due Within One Year	183,613
Due In More Than One Year:	
Net Pension Liability	10,208,032
Net OPEB Liability	2,276,626
Other Amounts Due in More than One Year	11,579,968
Total Liabilities	25,407,956
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes not Levied to Finance Current Year Operations	1,991,662
Pension and OPEB	829,560
Total Deferred Inflows of Resources	2,821,222
NET POSITION:	
Net Investment in Capital Assets	12,448,720
Restricted for:	
Capital Outlay	328,321
Maintenance of Facilities	210,535
Student Activities	96,532
Unrestricted	(7,904,164)
Total Net Position	$ 5,179,944

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$ 2,326,275	$ 739,350	$ 155,296	$ -	$ (1,431,629)
Special	786,130	87,342	278,535	-	(420,253)
Other	410	-	-	-	(410)
Support Services:					
Pupils	265,577	-	25,396	-	(240,181)
Instructional Staff	183,598	-	-	-	(183,598)
Board of Education	8,756	-	-	-	(8,756)
Administration	302,706	-	-	-	(302,706)
Fiscal	261,131	-	-	-	(261,131)
Business	2,384	-	-	-	(2,384)
Operation and Maintenance of Plant	771,898	4,726	7,650	13,145	(746,377)
Pupil Transportation	350,723	-	-	-	(350,723)
Central	105,126	-	5,400	-	(99,726)
Non-instructional Services	422,023	127,295	213,073	-	(81,655)
Extracurricular Activities	638,017	253,245	47,456	-	(337,316)
Interest and Fiscal Charges	1,237,136	-	-	-	(1,237,136)
Issuance Costs	160,616	-	-	-	(160,616)
Total	$ 7,822,506	$ 1,211,958	$ 732,806	$ 13,145	(5,864,597)

General Revenues:	
Property Taxes Levied for:	
General Purposes	1,879,393
Debt Service	349,073
Income Taxes Levied for:	
General Purposes	2,304,271
Debt Service	100,003
Facility Maintenance	47,892
Grants, Entitlements and Contributions not Restricted to Specific Programs	4,808,933
Investment Earnings	39,575
Miscellaneous	37,172
Total General Revenues	9,566,312
Change in Net Position	3,701,715
Net Position, Beginning of Year - Restated	1,478,229
Net Position, End of Year	$ 5,179,944

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	$ 2,718,796	$ 308,366	$ 823,484	$ 3,850,646
Receivables:				
Property Taxes	1,956,063	-	363,010	2,319,073
Income Taxes	1,019,529	-	-	1,019,529
Accounts	2,668	-	297	2,965
Intergovernmental	74,174	-	39,958	114,132
Materials and Supplies Inventory	-	-	1,065	1,065
Inventory Held for Resale	-	-	4,263	4,263
Total Assets	$ 5,771,230	$ 308,366	$ 1,232,077	$ 7,311,673
LIABILITIES:				
Accounts Payable	$ 67,191	$ 27,101	$ 120,957	$ 215,249
Accrued Wages and Benefits	641,409	-	55,469	696,878
Intergovernmental Payable	149,903	-	18,785	168,688
Matured Compensated Absences	26,040	-	-	26,040
Total Liabilities	884,543	27,101	195,211	1,106,855
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	1,681,361	-	310,301	1,991,662
Unavailable Revenue	218,386	-	22,151	240,537
Total Deferred Inflows of Resources	1,899,747	-	332,452	2,232,199
FUND BALANCES:				
Nonspendable:				
Inventory	-	-	1,065	1,065
Restricted for:				
Debt	-	-	223,678	223,678
Capital Improvements	-	281,265	-	281,265
Facilities Maintenance	-	-	210,535	210,535
Educational Foundation	-	-	47,056	47,056
District Managed Activities	-	-	96,532	96,532
Committed for:				
Capital Improvements	-	-	172,058	172,058
Assigned for:				
Extracurricular Activities	18,987	-	-	18,987
Subsequent Expenditures	14,695	-	-	14,695
Subsequent Appropriations	442,860	-	-	442,860
Unassigned	2,510,398	-	(46,510)	2,463,888
Total Fund Balances	2,986,940	281,265	704,414	3,972,619
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,771,230	$ 308,366	$ 1,232,077	$ 7,311,673

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances	$	3,972,619
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		21,777,368
Certain receivables are not available to provide current financial resources and are reported as deferred inflows of resources in governmental funds:		
Property Taxes Receivable		26,095
Income Taxes Receivable		194,482
Intergovernmental Receivable		18,055
Accounts Receivable		1,905
The net pension and OPEB liabilities are not due and payable in the current period; therefore, these liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension and OPEB		3,398,787
Deferred Inflows - Pension and OPEB		(829,560)
Net Pension Liability		(10,208,032)
Net OPEB Liability		(2,276,626)
Some liabilities and deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds. Those items consist of:		
General Obligation Bonds Payable		(9,892,859)
Accrued Interest Payable		(52,862)
Deferred Charges on Refunding		921,294
Unamortized Bond Premium		(1,299,942)
Compensated Absences Payable		(570,780)
Net Position of Governmental Activities	$	5,179,944

See accompanying notes to the basic financial statements.

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

	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	$ 1,890,850	$ -	$ 350,844	$ 2,241,694
Income Taxes	2,288,981	-	147,895	2,436,876
Intergovernmental	4,756,230	-	571,472	5,327,702
Tuition and Fees	813,729	-	-	813,729
Interest	31,722	3,460	4,393	39,575
Extracurricular Activities	13,769	-	254,859	268,628
Customer Services and Sales	-	-	125,681	125,681
Gifts and Donations	132,084	1,645	90,323	224,052
Miscellaneous	33,031	-	8,867	41,898
Total Revenues	9,960,396	5,105	1,554,334	11,519,835
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,461,617	3,798	23,212	4,488,627
Special	1,121,382	-	287,713	1,409,095
Student Intervention Services	-	-	-	-
Other	260	-	-	260
Support Services:				
Pupils	443,647	400	24,314	468,361
Instructional Staff	209,793	-	-	209,793
Board of Education	8,756	-	-	8,756
Administration	765,337	8,812	-	774,149
Fiscal	296,469	-	6,642	303,111
Operation and Maintenance of Plant	599,823	318,344	204,674	1,122,841
Pupil Transportation	374,391	-	-	374,391
Central	104,804	-	5,400	110,204
Operation of Non-Instructional Services	79,320	-	351,437	430,757
Extracurricular Activities	385,449	16,910	302,954	705,313
Capital Outlay	74,729	682,475	205,030	962,234
Debt Service:				
Principal	-	-	20,000	20,000
Interest	-	-	338,914	338,914
Issuance Costs	-	-	160,616	160,616
Total Expenditures	8,925,777	1,030,739	1,930,906	11,887,422
Revenues Over/(Under) Expenditures	1,034,619	(1,025,634)	(376,572)	(367,587)
OTHER FINANCING SOURCES (USES):				
Refunding Bonds Issued	-	-	8,725,000	8,725,000
Premium on Refunding Bonds Issued	-	-	1,233,634	1,233,634
Payment to Refunded Bond Escrow Agent	-	-	(9,798,018)	(9,798,018)
Transfers In	-	683,248	136,506	819,754
Transfers Out	(653,507)	-	(166,247)	(819,754)
Total Other Financing Sources (Uses)	(653,507)	683,248	130,875	160,616
Net Change in Fund Balances	381,112	(342,386)	(245,697)	(206,971)
Fund Balance, Beginning of Year	2,605,828	623,651	950,111	4,179,590
Fund Balance, End of Year	$ 2,986,940	$ 281,265	$ 704,414	$ 3,972,619

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

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

Total Net Change in Fund Balances - Total Governmental Funds	$	(206,971)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense and report a gain or loss on the disposal of capital assets:		
Depreciation Expense		(653,416)
Capital Asset Additions		1,305,478
Loss on Disposed of Capital Assets		(4,644)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Property Taxes		(13,228)
Income Taxes		15,290
Intergovernmental		3,130
Tuition and Fees		(806)
In the statement of activities, certain costs and proceeds associated with the issuance of long-term debt are accrued and amortized over the life of the debt. In the funds, these costs and proceeds are recognized as other financing sources and uses of resources:		
Refunding Bonds Issued		(8,725,000)
Premium on Bonds Issued		(1,233,634)
Payment to Escrow Agent for Advance Bond Refunding		9,798,018
Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position:		
General Obligation Bonds		20,000
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued Interest Payable		(14,632)
Accreted Interest on Capital Appreciation Bonds		(894,737)
Amortization of Bond Premium		24,898
Amortization of Deferred Charge on Refunding		(13,751)
Compensated Absences Payable		(12,109)
Contractually required pension and OPEB plan contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources:		737,989
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as negative pension and OPEB expense within the statement of activities.		3,569,840
Change in Net Position of Governmental Activities	$	3,701,715

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	$ 1,913,245	$ 1,913,245	$ 1,954,096	$ 40,851
Income Taxes	2,360,000	2,360,000	2,368,715	8,715
Intergovernmental	4,821,495	4,741,495	4,755,764	14,269
Tuition and Fees	597,100	807,100	828,908	21,808
Interest	15,000	25,000	30,613	5,613
Rent	4,000	4,000	4,726	726
Gifts and Donations	5,300	120,300	121,175	875
Miscellaneous	500	500	1,753	1,253
Total Revenues	9,716,640	9,971,640	10,065,750	94,110
Expenditures:				
Current:				
Instruction:				
Regular	4,441,090	4,491,377	4,375,892	115,485
Special	1,185,824	1,185,824	1,116,736	69,088
Student Intervention Services	480	480	2	478
Other	2,044	2,044	147	1,897
Support Services:				
Pupils	428,001	428,601	444,119	(15,518)
Instructional Staff	238,489	237,889	211,112	26,777
Board of Education	12,026	12,026	8,756	3,270
Administration:	928,726	928,726	783,156	145,570
Fiscal	330,681	330,681	303,345	27,336
Operation and Maintenance of Plant	737,478	732,478	617,943	114,535
Pupil Transportation	427,890	427,890	371,011	56,879
Central	91,294	91,294	105,852	(14,558)
Operation of Non-Instructional Services	80,000	80,000	79,320	680
Extracurricular Activities	384,706	384,706	381,656	3,050
Capital Outlay	8,500	79,900	74,729	5,171
Total Expenditures	9,297,229	9,413,916	8,873,776	540,140
Excess of Revenues Over (Under) Expenditures	419,411	557,724	1,191,974	634,250
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	15,000	20,000	20,552	552
Refund of Prior Year Receipts	(200)	(200)	-	200
Transfers Out	(812,000)	(812,000)	(801,402)	10,598
Total Other Financing Sources (Uses)	(797,200)	(792,200)	(780,850)	11,350
Net Change in Fund Balance	(377,789)	(234,476)	411,124	645,600
Fund Balance, Beginning of Year	2,190,305	2,190,305	2,190,305	-
Prior Year Encumbrances Appropriated	16,503	16,503	16,503	-
Fund Balance, End of Year	$ 1,829,019	$ 1,972,332	$ 2,617,932	$ 645,600

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency Fund
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 88,208	$ 51,070
Receivables:		
Accounts	11,386	-
Total Assets	99,594	51,070
LIABILITIES:		
Current Liabilities:		
Accounts Payable	-	25
Due to Students	-	51,045
Total Liabilities	-	$ 51,070
NET POSITION:		
Held in Trust for Scholarships	$ 99,594	

See accompanying notes to the basic financial statements.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions:	
Gifts and Donations	$ 42,520
Investment Earnings	663
Total Additions	43,183
Deductions:	
Payments in accordance with Trust Agreements	32,650
Total Deductions	32,650
Change in Net Position	10,533
Net Position, Beginning of Year	89,061
Net Position, End of Year	$ 99,594

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Covington Exempted Village School District (the "School District") is a body politic and corporate for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines.

The School District serves an area of approximately 35 square miles. It is staffed by 34 noncertified employees and 64 certified full-time teaching personnel who provide services to 740 students and other community members. The School District currently operates one instructional/support facility.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four jointly governed organizations, three insurance purchasing pools, and one related organization. These organizations are discussed in Notes 16, 17 and 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
- Metropolitan Educational Technology Association (META)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Upper Valley Career Center
- The Covington Education Fund

Insurance Purchasing Pools:
- Ohio School Boards Association Workers’ Compensation Group Rating Plan
- SOEPC Medical Benefits Plan
- Schools of Ohio Risk Sharing Authority (SORSA)

Related Organization:
- The J.R. Clarke Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund – A capital projects fund that is used to report income tax monies that have been transferred from the general fund which are restricted for expenditures in connection with purchase and construction, as well as repair and maintenance, of capital assets by the School District.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The private purpose trust fund accounts for monies held in trust for individual student scholarships. The student managed activities agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

Government-wide Financial Statements

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 School District are included on the Statement of Net Position. The Statement of Activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty (60) days of fiscal year end.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, pension, and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained further in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants, and student fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 12 and 13).

Expenditures/Expenses

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

E. Budget Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018.

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

F. Cash and Cash Equivalents

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

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

The School District has invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2018. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

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 $31,722; which includes $2,656 assigned from other funds.

G. Inventory

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed rather than when purchased.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition values as of the date received. The School District maintains a capitalization threshold of $1,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost 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 for land and construction in progress 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.

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	10-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

I. Interfund Activity

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

J. 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 from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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 fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

The general obligation bonds and accrued interest that will be paid from governmental funds are recognized as a liability in the fund financial statements when payment is due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, if any, are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

L. Pensions/Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and 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 and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

M. 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:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the policies of the Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

N. Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions,* No. 81, *Irrevocable Split-Interest*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*.

GASB Statement No. 75 replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB provided to employees. Statement 75 also requires governments in all types of OPEB plans to provide more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The implementation of GASB Statement No. 75 required the School District to restate beginning net position of governmental activities at July 1, 2017.

GASB Statement No. 81 requires the government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB Statement No. 85 establishes accounting and reporting requirements for blending component units, goodwill, fair value measurement and applications, and postemployment benefits (pension and other postemployment benefits). GASB Statement No. 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. The implementation of these Standards had no effect on the School District's financial statements.

In addition, during the fiscal year, the School District made adjustments to its capital asset records which resulted in a reduction of accumulated depreciation previously reported by $91,163.

The implementation of GASB Statement No. 75 and the correction for accumulated depreciation for fiscal year 2018 had the following effect on the governmental activities net position as reported June 30, 2017:

	Governmental Activities
Net Position at June 30, 2017 as previously reported	$ 4,255,779
Adjustments:	
Net OPEB Liability at June 30, 2017	(2,887,536)
Deferred Outflows - Payments Subsequent to Measurement Date	18,823
Correction of Depreciation on Capital Assets	91,163
Net Position at June 30, 2017 as restated	$ 1,478,229

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

NOTE 4 – ACCOUNTABILITY

At June 30, 2018, the following non-major, special revenue funds had deficit fund balance; food service fund $17,346, Title VIB grant fund $14,499, and Title I grant fund $13,600. The general fund is liable for any deficit in other funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as restricted, committed or assigned fund balance for governmental fund types (GAAP basis).

4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance General Fund	
GAAP Basis	$ 381,112
Net Revenue Accruals	136,134
Net Expenditure Accruals	108,758
Encumbrances	(81,886)
Net Other Financing Sources (Uses)	(127,343)
Change in Fund Balance of Funds Combined with General Fund for Reporting Purposes	(5,651)
Budget Basis	$ 411,124

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Active Monies – Those monies required to be kept in a "cash" or "near-cash" status for the immediate use of the district. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – 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 five years from the date of deposit, or by savings or deposit accounts, including passbook accounts. Interim monies held by the School District can be deposited or invested in the following securities:

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

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;

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

8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

At fiscal year-end, $888,832 of the School District's bank deposits was exposed to custodial credit risk because it was uninsured and collateralized, while $1,263,240 was covered by the FDIC. The uninsured deposits of the School District are covered by pooled collateral arrangements as explained below, however non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. The School District's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Ohio law requires that deposits either be insured or be protected by:

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

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

Investments

The School District's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code (the ORC) and includes the following:

Interest Rate Risk: The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The School District's investment policy limits investments to those authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address 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 School District places no limit on the amount that may be invested in any one issuer. At June 30, 2018, the only investment of the School District was STAR Ohio.

At June 30, 2018, the School District's investment in STAR Ohio totaled $2,009,937. STAR Ohio is rated AAAm by Standard and Poor's.

NOTE 7 - PROPERTY TAXES

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

NOTE 7 - PROPERTY TAXES (Continued)

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

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

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

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

	2018 First Half Collections		2017 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate property	$ 101,388,340	95.87%	$ 100,595,050	95.95%
Public utility personal property	4,371,890	4.13%	4,247,280	4.05%
Total	$ 105,760,230	100.00%	$ 104,842,330	100.00%
Tax rate per $1,000 of assessed valuation	$34.29		$34.29	

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

The amount available as an advance at June 30, 2018 was $250,631 in the general fund and $48,210 in the bond retirement fund. The amount available for advance at June 30, 2017 was $313,360 in the general fund and $59,934 in the bond retirement fund.

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

NOTE 8 – INCOME TAX

The School District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on April 1, 1994, and is a continuing tax. The School District's residents also approved an additional one and a quarter percent, for five years, effective January 2006 and has been subsequent renewed through 2020. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general, debt service, and facilities maintenance funds.

An additional one-quarter percent continuing income tax was passed in May 2013, effective January 1, 2014, along with a 3.89 mill bond levy, to fund the construction of a new pre-kindergarten through eight grade school facility and renovations to the existing high school building.

NOTE 9 - RECEIVABLES

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

General Fund:	
Miscellaneous amounts due from other governments	$ 74,588
Non-major Govermental Funds:	
Title VI-B Grant	28,361
Title I Grant	11,183
Non-major Governmental Funds	39,544
Total Intergovernmental Receivables	$ 114,132

NOTE 10 - CAPITAL ASSETS

A summary of the School District's general capital assets for fiscal year 2018 is as follows:

	Restated Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets, not being depreciated				
Land	$ 529,545	$ -	$ -	$ 529,545
Construction in Progress	30,560	138,006	(30,560)	138,006
	560,105	138,006	(30,560)	667,551
Capital Assets, being depreciated				
Land Improvements	996,836	203,686	-	1,200,522
Buildings and Improvements	21,944,964	921,541	-	22,866,505
Furniture and Equipment	963,366	72,805	(9,500)	1,026,671
Vehicles	646,036	-	-	646,036
Total Depreciable Capital Assets	24,551,202	1,198,032	(9,500)	25,739,734

(continued)

NOTE 10 - CAPITAL ASSETS (Continued)

	Restated Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Less: Accumulated Depreciation				
Land Improvements	(644,334)	(43,240)	-	(687,574)
Buildings and Improvements	(2,605,134)	(480,182)	-	(3,085,316)
Furniture and Equipment	(314,141)	(87,645)	4,856	(396,930)
Vehicles	(417,748)	(42,349)	-	(460,097)
Total Accumulated Depreciation	(3,981,357)	(653,416) *	4,856	(4,629,917)
Depreciable Capital Assets, Net	20,569,845	544,616	(4,644)	21,109,817
Total Capital Assets, Net	$ 21,129,950	$ 682,622	$ (35,204)	$ 21,777,368

*** - Depreciation expense was charged to governmental functions as follows:**

Instruction:	
Regular	$ 508,640
Other	150
Support Services:	
Pupil Support	3,057
Administration	1,964
Business	2,384
Operation and maintenance of plant	28,533
Pupil transportation	42,520
Central	22,351
Operation of non-instructional services	13,892
Extracurricular activities	29,925
Total Depreciation Expense	$ 653,416

NOTE 11 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. For fiscal year 2018, the School District joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the ORC.

The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a nine member board consisting of superintendents, treasurers and business managers.

The York Risk Services Group is responsible for processing claims. Willis Pooling Practice serves as the Plan's administrator, sales representative, and marketing representative who establish agreements between the Plan and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

NOTE 11 - RISK MANAGEMENT (Continued)

Coverage limits as of June 30, 2018 are as follows:

Buildings and Contents - replacement cost (all members)	$ 300,000,000
Inland Marine Coverage (all members)	300,000,000
Automobile Liability	15,000,000
General Liability:	
Per Occurrence	15,000,000
Annual Aggregate	17,000,000
Crime Coverage	1,000,000

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for any part of the last three years.

Workers' Compensation

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

Medical Benefits

The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool. The intent of the MBP is to achieve the benefit of reduced health insurance costs for the School District by virtue of its grouping and representation with other participants in the MBP. Premium rates are calculated for each district based on a combination of each district's experience and the MBP experience. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts who are members of the SOEPC.

NOTE 12 - 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

GASB Statement No. 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 contractually-required pension contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 **	Eligible to retire on or after August 1, 2017
Full benefits	Age 65 with 5 years of service credit; or 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; or 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $170,540 for fiscal year 2018. Of this amount, $27,675 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions 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 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 Statement No. 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately $539,830 for fiscal year 2018. Of this amount, $94,628 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 2,062,763	$ 8,145,269	$ 10,208,032
Proportion of the net pension liability	0.0345245%	0.0342883%	
Change in proportionate share	-0.0027412%	0.0003150%	
Pension (negative) expense	$ (124,439)	$ (3,075,008)	$ (3,199,447)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 88,775	$ 314,533	$ 403,308
Change in assumptions	106,667	1,781,460	1,888,127
Change in School District's proportionate share and difference in employer contributions	21,163	256,535	277,698
School District contributions subsequent to the measurement date	170,540	539,830	710,370
Total	$ 387,145	$ 2,892,358	$ 3,279,503
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ (65,648)	$ (65,648)
Net difference between projected and actual earnings on pension plan investments	(9,791)	(268,803)	(278,594)
Change in School District's proportionate share and difference in employer contributions	(161,650)	(10,310)	(171,960)
Total	$ (171,441)	$ (344,761)	$ (516,202)

$710,370 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 31,989	$ 440,791	$ 472,780
2020	64,592	806,456	871,048
2021	(3,330)	599,743	596,413
2022	(48,087)	160,777	112,690
	$ 45,164	$ 2,007,767	$ 2,052,931

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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 consider the employee's entire career with the employer and 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 of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
Total	100.00%	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, 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 (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 2,862,580	$ 2,062,763	$ 1,392,755

Actuarial Assumptions - STRS

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

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and Prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, including inflation	7.45%, net of investment expenses	7.75%, net of investment expenses

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and Prior
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments (COLA)	0.00% effective July 1, 2017	2.00% simple for members retiring August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
Total	100.00%	6.84%

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate **–** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes 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% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 11,675,965	$ 8,145,269	$ 5,171,186

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Net OPEB Liability

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

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

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

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

GASB Statement No. 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 contractually-required OPEB contributions outstanding at the end of the fiscal year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% 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, the minimum compensation amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $21,303.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $27,619 for fiscal year 2018. Of this amount $22,328 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportionate share of the net OPEB liability	$ 938,822	$ 1,337,804	$ 2,276,626
Proportion of the net OPEB liability	0.0349819%	0.0342883%	
Change in proportionate share	-0.0025793%	0.0003150%	
OPEB (negative) expense	$ 35,426	$ (405,819)	$ (370,393)

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ -	$ 77,226	$ 77,226
Change in School District's proportionate share and difference in employer contributions	-	14,439	14,439
School District contributions subsequent to the measurement date	27,619	-	27,619
Total	$ 27,619	$ 91,665	$ 119,284
Deferred Inflows of Resources:			
Net difference between projected and actual earnings on OPEB plan investments	$ (2,480)	$ (57,180)	$ (59,660)
Change in assumptions	(89,090)	(107,766)	(196,856)
Change in School District's proportionate share and difference in employer contributions	(56,843)	-	(56,843)
Total	$ (148,413)	$ (164,946)	$ (313,359)

$27,619 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (53,495)	$ (16,979)	$ (70,474)
2020	(53,495)	(16,979)	(70,474)
2021	(40,803)	(16,979)	(57,782)
2022	(620)	(16,979)	(17,599)
2023	-	(2,684)	(2,684)
2024	-	(2,681)	(2,681)
	$ (148,413)	$ (73,281)	$ (221,694)

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.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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 consider the employee's entire career with the employer and 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, prepared as of June 30, 2017, are presented below:

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

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

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%, 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.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

The target 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 in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
Total	100.00%	

Discount Rate **–** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from 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% as of June 30, 2017 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and 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 calculated using the discount rate of 3.63%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) and one percentage point higher (4.63%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$ 1,133,747	$ 938,822	$ 784,391

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

	1% Decrease (6.50% decreasing to 4.00%)	Current Trend Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
School District's proportionate share of the net OPEB liability	$ 761,784	$ 938,822	$ 1,173,135

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%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6.00% - 11.00% initially, 4.50% ultimate
Cost-of-living adjustments	0.00% effective July 1, 2017

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

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% to 4.13% 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% to 7.45%. 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.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced 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. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
Total	100.00%	6.84%

** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS 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% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS 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% 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%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% 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% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$ 1,795,981	$ 1,337,804	$ 975,695

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
School District's proportionate share of the net OPEB liability	$ 929,449	$ 1,337,804	$ 1,875,248

NOTE 14 – INTERFUND TRANSACTIONS

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 following is a summary of the interfund transfers occurring during fiscal year 2018:

	Transfers Out:		
Transfers In:	General Fund	Non-Major Classroom Facilities Fund	Total
Permanent Improvement Fund	$ 643,507	$ 39,741	$ 683,248
Non-Major Governmental Funds:			
Building Fund	-	126,506	126,506
Food Service Fund	10,000	-	10,000
	10,000	126,506	136,506
Total	$ 653,507	$ 166,247	$ 819,754

The transfers out of the general fund to the permanent improvement and food service funds were to provide operating resources to the respective funds as permitted by State law. The transfers out of the non-major classroom facilities capital project fund were made in accordance with the State close-out of the construction project fund in accordance with State program regulations. As the classroom facilities fund was closed out during fiscal year 2018, these transfers should not reoccur in future years.

NOTE 15 - LONG-TERM OBLIGATIONS

The activity of the School District's long-term obligations during fiscal year 2018 was as follows:

	Restated Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018	Due within One Year
General Obligation Bonds:					
Series 2013 Bonds					
Current Interest	$ 8,900,000	$ -	$ 8,740,000	$ 160,000	$ 25,000
Capital Appreciation	65,000	-	-	65,000	-
Accreted Interest	48,122	24,239	-	72,361	-
Series 2017 Refunding Bonds					
Current Interest	-	8,340,000	-	8,340,000	125,000
Capital Appreciation	-	385,000	-	385,000	-
Accreted Interest	-	870,498	-	870,498	-
Bond Premiums	234,179	1,233,634	167,871	1,299,942	-
Total General Obligation Bonds	9,247,301	10,853,371	8,907,871	11,192,801	150,000
Net Pension Liability:					
STRS	11,371,908	-	3,226,639	8,145,269	-
SERS	2,727,508	-	664,745	2,062,763	-
Total Net Pension Liability	14,099,416	-	3,891,384	10,208,032	-
Net OPEB Liability:					
STRS	1,816,904	-	479,100	1,337,804	-
SERS	1,070,632	-	131,810	938,822	-
Total Net OPEB Liability	2,887,536	-	610,910	2,276,626	-
Compensated Absences	558,670	72,042	59,932	570,780	33,613
Total Long-Term Obligations	$ 26,792,923	$ 10,925,413	$ 13,470,097	$ 24,248,239	$ 183,613

Compensated absences as well as the required pension and OPEB plan contributions will be paid from the fund which the employee's salaries are paid; which for the School District is primarily the general fund.

2013 School Facilities Construction and Improvement Bonds

On September 5, 2013, the School District issued $9 million in general obligation serial bonds for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund.

The issue is comprised of both current interest serial bonds, par value of $8,935,000, and capital appreciation bonds, par value of $65,000. The interest rates on the current interest bonds range from 1.0% to 6.0%. The capital appreciation bonds mature on November 1, 2022 through November 1, 2030 (stated interest rates ranging from 7.77% to 25.33%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $770,000 in total. Total accreted interest of $72,361 for the Series 2013 capital appreciation bonds has been included on the statement of net position at June 30, 2018. $8,720,000 of these bonds were refunded through the issuance of the 2017 refunding bonds discussed below, which revised the final maturity of these bonds to November 1, 2030.

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

2017 General Obligation Refunding Bonds

On December 28, 2017, the School District issued $8,725,000 in general obligation refunding bonds to provide resources to purchase U.S. Government securities which were placed, along with premium proceeds received from the sale of the bonds, in an irrevocable trust for the purpose of generating sufficient resources to satisfy the debt service requirements of $8,720,000 of the 2013 school facilities construction and improvement bonds at the call date of November 1, 2021. As a result, the refunded bonds are considered defeased and the liability associated with these bonds have been removed from the statement of net position. The reacquisition price exceeded the net carrying value of the old debt, and associated premium, by $935,045. This amount is reported as a deferred outflow of resources on the statement of net position and is being amortized over the term of the 2017 refunding bonds issued. This advance refunding was undertaken to reduce total debt service payments over the next 34 years by $2,115,318 and resulted in an economic gain of $1,286,162.

The 2017 issue is comprised of both current interest serial bonds, par value of $8,340,000, and capital appreciation bonds, par value of $385,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature on November 1, 2032 through November 1, 2039 (stated interest rates ranging from 9.90% to 10.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $2,460,000 in total. Total accreted interest of $870,498 for the 2017 capital appreciation bonds has been included on the statement of net position at June 30, 2018. The final maturity date is November 1, 2051.

The following is a summary of the School District's future annual debt service requirements to maturity for its general obligation bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ended June 30,	Principal	Interest	Total	Principal	Interest	Total
2019	$ 150,000	$ 317,169	$ 467,169	$ -	$ -	$ -
2020	95,000	314,656	409,656	-	-	-
2021	100,000	312,494	412,494	-	-	-
2022	155,000	308,984	463,984	-	-	-
2023	135,000	304,600	439,600	10,000	20,000	30,000
2024-2028	775,000	1,434,575	2,209,575	40,000	335,000	375,000
2029-2033	900,000	1,267,075	2,167,075	75,000	570,000	645,000
2034-2038	370,000	1,134,475	1,504,475	245,000	1,245,000	1,490,000
2039-2043	1,090,000	1,020,475	2,110,475	80,000	610,000	690,000
2044-2048	2,325,000	664,575	2,989,575	-	-	-
2049-2052	2,405,000	174,038	2,579,038	-	-	-
Total	$ 8,500,000	$ 7,253,116	$ 15,753,116	$ 450,000	$ 2,780,000	$ 3,230,000

Legal Debt Limits

At June 30, 2018, the School District's overall legal debt limit was $9,518,421 and the un-voted debt limit was $1,057,602. ORC Section 133.06(I) permits school districts to incur net indebtedness in excess of the 9% limitation, without obtaining the consent of the State Superintendent and the Tax Commissioner, when bond proceeds will be used exclusively to fund a school district's Commission-required local effort. Accordingly, the proceeds of the bonds will be used exclusively to fund the School District's Commission-required local effort, and, as a result, are not subject to State consents/special needs approval.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META Solutions)

Metropolitan Educational Technology Association (META) is a computer consortium and educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META Solutions consists of a president, vice-president, and six board members who represent the members of META. The Board works with META's chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district's degree of control is limited to its representation on the Board. The School District paid META $21,108 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as interim Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 126 public school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year 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 general fund. The School District did not make any payments to the SOEPC in fiscal year 2018. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Upper Valley Career Center

The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or educational service center: Piqua, Shelby, Sidney, and Troy City School Districts and Midwest Education Service Center. To obtain financial information, write to the Upper Valley Career Center, Anthony Fraley, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Covington Education Fund

The Covington Education Fund is a component fund of the Troy Foundation. The purpose of the Education Fund is to promote general education enrichment in the community of Covington.

The Covington Education Fund is governed by a Distribution Committee appointed by each of the following: Star Bank of Troy, Covington Village Council, Covington Chamber of Commerce, Covington Board of Education, and Newberry Township Trustees. The Distribution Committee possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsides. Financial information can be obtained from Melissa Kleptz, Executive Director, The Troy Foundation, 216 West Franklin Street, Troy, Ohio 45373.

NOTE 17 – INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designees, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Teri Morgan, Deputy Director of Management Services, at 8050 North High Street Suite 100, Columbus, Ohio 45235.

The intent of the Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust). The Trust is a public entity shared risk pool consisting of 95 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501C(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

NOTE 17 – INSURANCE PURCHASING POOLS (Continued)

Schools of Ohio Risk Sharing Authority ("SORSA")

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA) which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-profit Corporations and functioning under the authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers.

SORSA is governed by a nine member Board of Directors, each a current public school administrator, elected by and from, the membership for a three year term. The BOD meets ten times a year and is involved in all aspects of the program. The Board retains legal counsel with Peck, Shaffer & Williams LLC. SORSA is managed by an Executive Director. Willis Pooling administers the pool and York Risk Services Group manages the claims. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

NOTE 18– RELATED ORGANIZATION

The J.R. Clarke Public Library

The J.R. Clarke Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of seven Trustees. Covington Board of Education approves the appointment of trustees to the Library Board. Each Trustee is in office for a term of seven years.

The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the J.R. Clarke Public Library, Mary Beth Benedict, who serves as Treasurer, 102 East Spring Street, Covington, Ohio 45318.

NOTE 19 - CONTINGENCIES

Grants

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

NOTE 19 – CONTINGENCIES (Continued)

Full-Time Equivalency Review

The School District funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the end of the fiscal year.

Litigation

The School District is not currently party to any legal proceedings, as either plaintiff or defendant, where management believes the outcome would be material to these financial statements.

NOTE 21 - SET-ASIDE CALCULATION

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

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

Set-aside Reserve Balance as of June 30, 2017	$ -
Current Year Set-aside Requirement	150,953
Current Year Offsets	(191,398)
Total	$ (40,445)
Balance Carried forward to FY 2019	$ -
Set-aside Reserve Balance June 30, 2018	$ -

Although the School District had qualifying disbursements during the year that further reduced the set-aside below zero due to current year offsets, the extra amounts may not be used to reduce the set-aside requirements of future years. As such, there was no need to present information concerning such disbursements.

During fiscal year 2014, the School District issued $9,000,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented each year as a "qualifying offset from bond proceeds" is limited to an amount needed to reduce the reserve for capital improvement to zero. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was $8,893,663 at June 30, 2018.

NOTE 22 - ENCUMBRANCES

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	$ 82,736
Permanent Improvement Fund	106,137
Non-major Governmental Funds	317,974
	$ 506,847

REQUIRED SUPPLEMENTARY INFORMATION

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Five Measurement Years (1)

	2017	2016	2015	2014	2013
School Employees Retirement System of Ohio					
School District Proportion of the Net Pension Liability	0.0345245%	0.0372658%	0.0386886%	0.0366720%	0.0366720%
School District's Proportionate Share of the Net Pension Liability	$ 2,062,763	$ 2,727,508	$ 2,207,609	$ 1,855,949	$ 2,180,766
School District's Covered Payroll	$ 1,143,493	$ 1,157,336	$ 1,164,727	$ 1,065,606	$ 1,003,027
School District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	180.39%	235.67%	189.54%	174.17%	217.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio					
School District Proportion of the Net Pension Liability	0.0342883%	0.0339734%	0.0328424%	0.0329749%	0.0329749%
School District's Proportionate Share of the Net Pension Liability	$ 8,145,269	$ 11,371,908	$ 9,076,690	$ 8,020,637	$ 9,554,130
School District's Covered Payroll	$ 3,769,586	$ 3,574,650	$ 3,426,557	$ 3,369,123	$ 3,355,346
School District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	216.08%	318.13%	264.89%	238.06%	284.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the supplementary information.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Required Supplementary Information
Schedule of School District Contributions - Pension Plans
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School Employees Retirement System of Ohio										
Contractually Required Contribution	$ 170,540	$ 160,089	$ 162,027	$ 153,511	$ 147,693	$ 138,819	$ 142,145	$ 130,053	$ 134,507	$ 85,191
Contributions in Relation to the Contractually Required Contribution	(170,540)	(160,089)	(162,027)	(153,511)	(147,693)	(138,819)	(142,145)	(130,053)	(134,507)	(85,191)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered Payroll	$ 1,263,259	$ 1,143,493	$ 1,157,336	$ 1,164,727	$ 1,065,606	$ 1,003,027	$ 1,056,840	$ 1,034,630	$ 993,405	$ 865,762
Contributions as a Percentage of School District Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
State Teachers Retirement System of Ohio										
Contractually Required Contribution	$ 539,830	$ 527,742	$ 500,451	$ 479,718	$ 437,986	$ 436,195	$ 457,774	$ 475,291	$ 451,624	$ 442,288
Contributions in Relation to the Contractually Required Contribution	(539,830)	(527,742)	(500,451)	(479,718)	(437,986)	(436,195)	(457,774)	(475,291)	(451,624)	(442,288)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered Payroll	$ 3,855,929	$ 3,769,586	$ 3,574,650	$ 3,426,557	$ 3,369,123	$ 3,355,346	$ 3,521,338	$ 3,656,085	$ 3,474,031	$ 3,402,215
Contributions as a Percentage of School District Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the supplementary information.

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Last Two Measurement Years (1)

	2017	2016
School Employees Retirement System of Ohio		
School District Proportion of the Net OPEB Liability	0.0349819%	0.0375612%
School District's Proportionate Share of the Net OPEB Liability	$ 938,822	$ 1,070,632
School District's Covered Payroll	$ 1,143,493	$ 1,157,336
School District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	82.10%	92.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System of Ohio		
School District Proportion of the Net OPEB Liability	0.0342883%	0.0339734%
School District's Proportionate Share of the Net OPEB Liability	$ 1,337,807	$ 1,816,904
School District's Covered Payroll	$ 3,769,586	$ 3,574,650
School District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	35.49%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

(1) Information prior to 2016 is not available. The School District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the supplementary information.

Required Supplementary Information
Schedule of School District Contributions - OPEB Plans
Last Three Fiscal Years (1)

	2018	2017	2016
School Employees Retirement System of Ohio			
Contractually Required Contribution (2)	$ 27,619	$ 18,823	$ 18,132
Contributions in Relation to the Contractually Required Contribution	(27,619)	(18,823)	(18,132)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School District Covered Payroll	$ 1,263,259	$ 1,143,493	$ 1,157,336
Contributions as a Percentage of School District Covered Payroll	2.19%	1.65%	1.57%
State Teachers Retirement System of Ohio			
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
School District Covered Payroll	$ 3,855,929	$ 3,769,586	$ 3,574,650
Contributions as a Percentage of School District Covered Payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available. The School District will continue to present information for years available until a full ten-year trend is presented.

(2) In addition to any allocation of employer contributions, SERS assesses a surcharge on employers for employees earning less than an actuarially determined minimum compensation amount, which is pro-rated if less than a full year of service credit is earned.

See accompanying notes to the supplementary information.

NOTE 1 – PENSION PLANS:

School Employees Retirement System of Ohio:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

State Teachers Retirement System of Ohio:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and 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. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

NOTE 2 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

School Employees Retirement System of Ohio:

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

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

NOTE 2 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS: (Continued)

State Teachers Retirement System of Ohio:

Change in assumption. For fiscal year 2018, 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)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 % 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 2020.

Page Intentionally Left Blank

OHIO AUDITOR OF STATE
KEITH FABER

One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Covington Exempted Village School District
Miami County
807 Chestnut Street, Suite A
Covington, Ohio 45318

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 Covington Exempted Village School District, Miami County, (the School District) as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 30, 2020, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions.* We also noted the financial impact of COVID-19 and the ensuing emergency measures impact on subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 2019-001 to be a material weakness.

Compliance and Other Matters

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

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

April 30, 2020

SCHEDULE OF FINDINGS
JUNE 30, 2019 AND 2018

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

FINDING NUMBER 2019-001

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.

The School District's annual report contained the following errors that required adjustment to the financial statements:

- For fiscal year 2018, the School District overstated accounts payable and capital outlay expenditures in the permanent improvement fund and nonmajor governmental funds by $75,152 and $133,604, respectively. This also resulted in an overstatement of accounts payable and non-depreciable capital assets in the amount of $208,756 for governmental activities. These errors also resulted in modifications to equity reported on the balance sheet and statement of net position.
- For fiscal year 2019, the School District overstated accounts payable and capital outlay expenditures in the permanent improvement fund by $31,540. This also resulted in an overstatement of accounts payable and operations and maintenance expense of $31,540 for governmental activities. This error also resulted in modifications to equity reported on the balance sheet and statement of net position.

The School District’s annual report also contained the following errors that did not result in adjustment to the financial statements:

- The fiscal year 2019 annual report included errors related to original budgeted revenue, original budgeted expenditures, and final budgeted expenditures in the School District's budgetary statement.
- There was an error related to the proper classification of fund balance for fiscal year 2018 in the building fund (nonmajor governmental fund, reported incorrectly as committed rather than restricted).
- There were errors related to restricted net position for governmental activities (restricted net position incorrectly reported as unrestricted net position for fiscal year 2018 and restricted for other purposes incorrectly reported as restricted for capital outlay for fiscal year 2018 and 2019).
- There was an overstatement of other liabilities due in more than one year and an overstatement of expenses for governmental activities due to including employees that should not have been included in the calculation of compensated absences for fiscal year 2019.

The above errors were caused by a lack of controls over the financial reporting process.

Failure to properly report financial activity could lead to material financial statement errors and misleading financial statement information.

The School District should establish and implement procedures to review the financial statements and verify the completeness and accuracy of amounts reported in the financial statements in accordance with applicable accounting standards.

Officials’ Response: The Treasurer will work with the compiler more closely to review the financial statements and ensure that these same errors are not repeated.

Mrs. Carol A. Forsythe
Treasurer

Covington Exempted Village School District

Mr. Gene Gooding
Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material Weakness – Financial Statement Errors	Corrected	Material errors related to the prior audit financial statements were corrected; however, different financial statement errors occurred for fiscal year 2018 and 2019.

807 Chestnut Street, Suite A • Covington, Ohio 45318 • (937) 473-2249

OHIO AUDITOR OF STATE
KEITH FABER

`

COVINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 26, 2020