



Certified Public Accountants, A.C.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY
Regular Audit
For the Fiscal Year Ended June 30, 2019**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Education
Southern Hills Joint Vocational School District
9193 Hamer Road
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of the Southern Hills Joint Vocational School District, Brown County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 20, 2020

This page intentionally left blank.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY**

TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet-Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual - General Fund.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Ohio School Facilities Maintenance Fund.....	17
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position.....	19
Notes to the Basic Financial Statements	20
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability – School Employees Retirement System of Ohio	65
Schedule of the School District’s Proportionate Share of the Net OPEB Liability – School Employees Retirement System of Ohio	68
Schedule of the School District’s Proportionate Share of the Net Pension Liability – State Teachers Retirement System of Ohio.....	69
Schedule of the School District’s Proportionate Share of the Net OPEB Liability (Asset) – State Teachers Retirement System of Ohio.....	72

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY**

**TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>TITLE</u>	<u>PAGE</u>
Schedule of the School District's Contributions – School Employees Retirement System of Ohio	73
Schedule of the School District's Contributions – State Teachers Retirement System of Ohio.....	75
Notes to Required Supplementary Information	77
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	80



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

December 31, 2019

Southern Hills Joint Vocational School District
Brown County
9193 Hamer Road
Georgetown, OH 45121

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Southern Hills Joint Vocational School District**, Brown County, Ohio (the School District), as of and for the year ended June 30, 2019, 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.

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Hills Joint Vocational School District, Brown County, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Ohio School Facilities Maintenance Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension and OPEB liabilities and pension and OPEB 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 December 31, 2019, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The discussion and analysis of Southern Hills Joint Vocational School District's 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 transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- The School District's total net position increased \$981,609.
- Net Pension and Net OPEB liability decreased due to the state-wide pension plans' changes in assumptions and benefits.
- Overall expenditures increased during the fiscal year due to the School District added three new satellite programs, which required three new teachers. In addition, employees received step increases and a 2.5 percent union negotiated raise during the fiscal year.

Using the Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Southern Hills Joint Vocational School District as a financial whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column. The major funds for the Southern Hills Joint Vocational School District are the General Fund, the Ohio School Facilities Maintenance Special Revenue Fund, and the Permanent Improvement Capital Projects Funds.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2019?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

Fiduciary Funds – The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

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

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

	(Table 1)		
	Net Position		
	Governmental Activities		
	2019	2018	Change
Assets			
Current and Other Assets	\$13,836,436	\$12,805,293	\$1,031,143
Net OPEB Asset	336,167	0	336,167
Capital Assets, Net	14,212,268	14,608,357	(396,089)
Total Assets	28,384,871	27,413,650	971,221
Deferred Outflows of Resources			
Pension	1,882,990	1,946,234	(63,244)
OPEB	124,338	68,267	56,071
Total Deferred Outflows of Resources	2,007,328	2,014,501	(7,173)
Liabilities			
Current and Other Liabilities	646,848	608,964	37,884
Long Term Liabilities:			
Due Within One Year	472,452	470,246	2,206
Due In More than One Year:			
Net Pension Liability	6,172,587	6,323,958	(151,371)
Net OPEB Liability	699,687	1,466,666	(766,979)
Other	1,931,903	2,444,447	(512,544)
Total Liabilities	9,923,477	11,314,281	(1,390,804)
Deferred Inflows of Resources			
Property Taxes	1,911,432	1,128,133	783,299
Pension	504,141	366,028	138,113
OPEB	637,863	186,032	451,831
Total Deferred Inflows of Resources	3,053,436	1,680,193	1,373,243
Net Position			
Net Investment in Capital Assets	12,218,143	12,101,312	116,831
Restricted	4,956,467	4,754,361	202,106
Unrestricted (Deficit)	240,676	(421,996)	662,672
Total Net Position	\$17,415,286	\$16,433,677	\$981,609

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. 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

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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.

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

Current and Other Assets increased \$1,031,143, due mainly to an increase in cash and cash equivalents of \$797,902 from an increase in state and federal funding. Capital Assets, Net decreased \$396,089, due primarily to depreciation exceeding additions during the fiscal year.

Total liabilities decreased \$1,390,804. During fiscal year 2018, the School District showed a net OPEB liability; however, due to changes in STRS assumptions and benefits, the School District also reported a net OPEB asset during fiscal year 2019. Net Pension Liability also decreased \$151,371 as a result of changes made to STRS.

Net Investment in Capital Assets increased \$116,831 due to reducing the amount of outstanding debt. Unrestricted Net Position for governmental activities increased \$662,672 mainly due to the decreases in net pension/OPEB liabilities associated with changes made by the STRS retirement system.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$900,285	\$682,332	\$217,953
Operating Grants, Contributions and Interest	2,120,362	1,669,239	451,123
Total Program Revenues	<u>3,020,647</u>	<u>2,351,571</u>	<u>669,076</u>
General Revenues:			
Property Taxes	2,268,777	2,906,800	(638,023)
Grants and Entitlements not Restricted to Specific Programs	2,633,401	2,536,973	96,428
Investment Earnings	370,936	175,471	195,465
Miscellaneous	107,784	18,757	89,027
Total General Revenues	<u>5,380,898</u>	<u>5,638,001</u>	<u>(257,103)</u>
Total Revenues	<u>8,401,545</u>	<u>7,989,572</u>	<u>411,973</u>
Program Expenses			
Instruction:			
Regular	170,433	76,106	94,327
Special	4,208	2,250	1,958
Vocational	3,687,737	1,716,755	1,970,982
Adult/Continuing	488,210	29,592	458,618
Support Services:			
Pupils	528,106	167,879	360,227
Instructional Staff	167,217	137,746	29,471
Board of Education	38,021	76,453	(38,432)
Administration	683,137	268,367	414,770
Fiscal	428,632	340,923	87,709
Business	2,947	6,879	(3,932)
Operation and Maintenance of Plant	713,517	604,045	109,472
Pupil Transportation	177,005	35,520	141,485
Central	37,763	33,318	4,445
Operation of Non-Instructional Services	244,928	239,111	5,817
Extracurricular Activities	8,210	7,245	965
Interest and Fiscal Charges	39,865	54,139	(14,274)
Total Expenses	<u>7,419,936</u>	<u>3,796,328</u>	<u>3,623,608</u>
Change in Net Position	981,609	4,193,244	(3,211,635)
Net Position Beginning of Year	16,433,677	12,240,433	4,193,244
Net Position at End of Year	<u>\$17,415,286</u>	<u>\$16,433,677</u>	<u>\$981,609</u>

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Governmental Activities

Grants and Entitlements made up 49 percent of general revenues for governmental activities of the Southern Hills Joint Vocational School District for fiscal year 2019. It is very common for these monies to make up the majority of revenues in low property wealth districts that rely on State revenue to support its daily operations.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2019. Overall, expenses increased \$3,623,608 primarily due to changes in assumptions and benefits by the statewide pension systems which caused pension expense to be negative in fiscal year 2018, and positive in fiscal year 2019, causing the appearance of a large increase in overall expenses. The School District also added three new satellite programs, which required three new teachers.

The increase in program revenues was \$669,076 from the prior fiscal year. Operating grants increased primarily due to an increase in state and federal grant monies compared to the previous year.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,433,481 and expenditures of \$8,195,738. The General Fund had an insignificant increase of \$13,314. The Ohio School Facilities Maintenance Special Revenue Fund had a decrease of \$2,585, mainly due to expenditures exceeding revenues. The Permanent Improvement Capital Projects Fund had an increase of \$167,638 mainly due to a decrease in overall expenditures from the prior fiscal year.

General Fund - Budget Highlights

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

During the course of fiscal year 2019, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budget basis revenues were \$5,972,308, with a final budget estimate of \$6,492,024, a difference of \$519,716. There was a \$457,003 variance between the final budget and actual budget basis revenues due to an increase in property tax, intergovernmental, and customer sales and services revenue.

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Original budget basis expenditures and carryover encumbrances for the General Fund were \$6,525,010 and final budget basis expenditures and carryover encumbrances were \$6,966,404, a difference of \$441,394. The increase in estimated expenditures was primarily related to an increase in Vocational Instruction. Final actual expenditures fell below the final budgeted expenditures by \$622,494 mainly due a decrease in Vocational Instruction and Operation and Maintenance of Plant expenditures. The decrease is mainly due to the School District budgeting conservatively.

The School District's ending unobligated cash balance in the General Fund was \$781,296 above the final budgeted amount.

Capital Assets

At the end of fiscal year 2019, the School District had \$14,212,268 in capital assets. Capital Assets decreased \$396,089 from the prior fiscal year. This was due primarily to depreciation exceeding additions during the fiscal year. Buildings and Improvements additions were \$43,962, while depreciation expense for buildings and improvements was \$461,114, which is a variance of \$417,152. For more information on Capital Assets, refer to the notes to the basic financial statements (Note 8).

Debt

At June 30, 2019, the School District had \$33,334 in loans outstanding, with \$33,334 due within one year, and notes outstanding of \$793,034, with \$225,145 due within one year. In addition, the School District had \$1,167,757 in capital leases payable at fiscal year-end.

For more information on Debt, refer to the notes to the basic financial statements (Notes 13 and 14).

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Kari Barnes, Treasurer at Southern Hills Joint Vocational School District, 9193 Hamer Road, Georgetown, Ohio 45121 or e-mail at kari.barnes@shctc.k12.oh.us.

Southern Hills Joint Vocational School District
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$11,069,922
Materials and Supplies Inventory	1,360
Inventory Held for Resale	25,687
Accrued Interest Receivable	25,182
Prepaid Items	6,491
Property Taxes Receivable	2,685,288
Intergovernmental Receivable	22,506
Net OPEB Asset - (See Note 11)	336,167
Capital Assets:	
Land	339,053
Depreciable Capital Assets, Net	<u>13,873,215</u>
<i>Total Assets</i>	<u>28,384,871</u>
<u>Deferred Outflows of Resources:</u>	
Pension	1,882,990
OPEB	<u>124,338</u>
Total Deferred Outflows of Resources	<u>2,007,328</u>
<u>Liabilities:</u>	
Accounts Payable	10,037
Accrued Wages and Benefits Payable	512,793
Intergovernmental Payable	81,409
Matured Compensated Absences Payable	18,118
Accrued Interest Payable	24,491
Long-Term Liabilities:	
Due Within One Year	472,452
Due in More Than One Year:	
Net Pension Liability - (See Note 10)	6,172,587
Net OPEB Liability - (See Note 11)	699,687
Other Amounts Due in More Than One Year	<u>1,931,903</u>
<i>Total Liabilities</i>	<u>9,923,477</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes	1,911,432
Pension	504,141
OPEB	<u>637,863</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,053,436</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	12,218,143
Restricted for:	
Capital Outlay	2,168,790
Food Service	458,653
Adult Education	683,382
Classroom Facilities Maintenance	1,469,301
Renewed Opportunity	112,632
State and Federal Grants	43,412
Set-Asides	20,297
Unrestricted	<u>240,676</u>
<i>Total Net Position</i>	<u>\$17,415,286</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$170,433	\$519,754	\$25	\$349,346
Special	4,208	0	370,105	365,897
Vocational	3,687,737	0	1,414,494	(2,273,243)
Adult/Continuing	488,210	180,730	58,931	(248,549)
Support Services:				
Pupils	528,106	0	146,564	(381,542)
Instructional Staff	167,217	0	1,800	(165,417)
Board of Education	38,021	0	0	(38,021)
Administration	683,137	75,278	24,545	(583,314)
Fiscal	428,632	0	0	(428,632)
Business	2,947	261	85	(2,601)
Operation and Maintenance of Plant	713,517	48,026	2,500	(662,991)
Pupil Transportation	177,005	0	0	(177,005)
Central	37,763	0	0	(37,763)
Operation of Non-Instructional Services	244,928	76,236	101,313	(67,379)
Extracurricular Activities	8,210	0	0	(8,210)
Interest and Fiscal Charges	39,865	0	0	(39,865)
<i>Total Governmental Activities</i>	<u>\$7,419,936</u>	<u>\$900,285</u>	<u>\$2,120,362</u>	<u>(4,399,289)</u>

General Revenues:

Property Taxes Levied for:	
General Purposes	1,698,806
Other Purposes	157,500
Capital Outlay	412,471
Grants and Entitlements not	
Restricted to Specific Programs	2,633,401
Investment Earnings	370,936
Miscellaneous	107,784
<i>Total General Revenues</i>	<u>5,380,898</u>
Change in Net Position	981,609
Net Position at Beginning of Year	16,433,677
Net Position at End of Year	<u>\$17,415,286</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Ohio School Facilities Maintenance Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$6,138,141	\$1,469,597	\$1,370,979	\$2,070,908	\$11,049,625
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	20,297	0	0	0	20,297
Receivables:					
Property Taxes	1,990,027	0	695,261	0	2,685,288
Accrued Interest	0	0	24,225	957	25,182
Intergovernmental	8,588	0	0	13,918	22,506
Interfund	13,918	0	0	0	13,918
Prepaid Items	6,089	0	0	402	6,491
Materials and Supplies Inventory	0	0	0	1,360	1,360
Inventory Held for Resale	0	0	0	25,687	25,687
Advances to Other Funds	200,000	0	0	0	200,000
Total Assets	\$8,377,060	\$1,469,597	\$2,090,465	\$2,113,232	\$14,050,354
<u>Liabilities:</u>					
Accounts Payable	\$7,554	\$296	\$0	\$2,187	\$10,037
Accrued Wages and Benefits Payable	483,141	0	0	29,652	512,793
Intergovernmental Payable	75,268	0	0	6,141	81,409
Matured Compensated Absences Payable	18,118	0	0	0	18,118
Interfund Payable	0	0	0	13,918	13,918
Advances From Other Funds	0	0	0	200,000	200,000
Total Liabilities	584,081	296	0	251,898	836,275
<u>Deferred Inflows of Resources:</u>					
Property Taxes	1,422,451	0	488,981	0	1,911,432
Unavailable Revenue	106,572	0	45,126	350	152,048
Total Deferred Inflows of Resources	1,529,023	0	534,107	350	2,063,480
<u>Fund Balances:</u>					
Nonspendable	206,089	0	0	1,762	207,851
Restricted	20,297	1,469,301	1,556,358	1,863,348	4,909,304
Committed	492,756	0	0	0	492,756
Assigned	330,050	0	0	0	330,050
Unassigned (Deficit)	5,214,764	0	0	(4,126)	5,210,638
Total Fund Balances	6,263,956	1,469,301	1,556,358	1,860,984	11,150,599
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$8,377,060	\$1,469,597	\$2,090,465	\$2,113,232	\$14,050,354

See accompanying notes to the basic financial statements

*Southern Hills Joint Vocational School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019*

Total Governmental Fund Balances \$11,150,599

*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 are not reported in the funds. These assets consist of:

	Land	339,053	
	Depreciable capital assets	26,957,411	
	Accumulated depreciation	(13,084,196)	
Total			14,212,268

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

	Property taxes	135,375	
	Intergovernmental	7,484	
	Interest	9,189	
Total			152,048

In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (24,491)

The net pension liability and net OPEB liability (asset) are not due and payable in the current period; therefore, the liabilities (asset) and related deferred inflows/outflows are not reported in governmental funds:

	Net OPEB Asset	336,167	
	Deferred Outflows - Pension	1,882,990	
	Deferred Outflows - OPEB	124,338	
	Net Pension Liability	(6,172,587)	
	Net OPEB Liability	(699,687)	
	Deferred Inflows - Pension	(504,141)	
	Deferred Inflows - OPEB	(637,863)	
Total			(5,670,783)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

	Loans	(33,334)	
	Tax Anticipation Notes	(793,034)	
	Capital leases	(1,167,757)	
	Compensated absences	(410,230)	
Total			(2,404,355)

Net Position of Governmental Activities \$17,415,286

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2019

	General Fund	Ohio School Facilities Maintenance Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$1,708,839	\$157,500	\$417,535	\$0	\$2,283,874
Intergovernmental	4,260,040	0	91,097	410,124	4,761,261
Investment Earnings	0	0	372,506	11,180	383,686
Tuition and Fees	337,143	0	0	256,269	593,412
Rent	48,026	0	0	0	48,026
Customer Sales and Services	182,611	0	0	76,236	258,847
Contributions and Donations	25	0	0	0	25
Miscellaneous	6,262	0	1,544	92,494	100,300
Total Revenues	6,542,946	157,500	882,682	846,303	8,429,431
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	188,689	0	0	0	188,689
Vocational	3,718,737	0	52,958	37,421	3,809,116
Adult/Continuing	43,334	0	24,258	435,106	502,698
Support Services:					
Pupils	521,882	0	0	135,248	657,130
Instructional Staff	156,000	0	10,586	0	166,586
Board of Education	41,730	0	0	0	41,730
Administration	528,931	0	0	181,230	710,161
Fiscal	385,835	0	21,444	0	407,279
Business	2,319	0	0	628	2,947
Operation and Maintenance of Plant	555,458	160,085	2,460	2,500	720,503
Pupil Transportation	123,415	0	35,675	0	159,090
Central	37,685	0	0	0	37,685
Operation of Non-Instructional Services	24,982	0	7,618	191,269	223,869
Extracurricular Activities	8,210	0	0	0	8,210
Capital Outlay	0	0	7,157	0	7,157
Debt Service:					
Principal Retirement	0	0	512,920	0	512,920
Interest and Fiscal Charges	0	0	39,968	0	39,968
Total Expenditures	6,337,207	160,085	715,044	983,402	8,195,738
Excess of Revenues Over (Under) Expenditures	205,739	(2,585)	167,638	(137,099)	233,693
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Capital Assets	4,050	0	0	0	4,050
Transfers In	0	0	0	196,475	196,475
Transfers Out	(196,475)	0	0	0	(196,475)
Total Other Financing Sources (Uses)	(192,425)	0	0	196,475	4,050
Net Change in Fund Balances	13,314	(2,585)	167,638	59,376	237,743
Fund Balances at Beginning of Year	6,250,642	1,471,886	1,388,720	1,801,608	10,912,856
Fund Balances at End of Year	<u>\$6,263,956</u>	<u>\$1,469,301</u>	<u>\$1,556,358</u>	<u>\$1,860,984</u>	<u>\$11,150,599</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2019*

Net Change in Fund Balances - Total Governmental Funds \$237,743

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

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

Capital assets additions	484,326	
Depreciation expense	(871,112)	
Excess of depreciation expense over capital outlay	(386,786)	(386,786)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital assets account in the Statement of Net Position and offset against the from the sale of capital assets resulting in a gain or loss on the sale of capital assets in the Statement of Activities.

Proceeds from Sale of Capital Assets	(4,050)	
Loss on Sale and Disposal of Capital Assets	(5,253)	
Total	(9,303)	(9,303)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(15,097)	
Intergovernmental	(18,642)	
Investment Earnings	(1,631)	
Miscellaneous	7,484	
Total	(27,886)	(27,886)

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

Pension	531,817	
OPEB	7,781	
Total	539,598	539,598

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities (asset) are reported as pension expense in Statement of Activities.

Pension	(581,803)	
OPEB	699,605	
Total	117,802	117,802

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

Loan principal payment	33,333	
Tax anticipation note principal payment	219,592	
Lease principal payment	259,995	
Total long-term debt repayment	512,920	512,920

Accrued interest payable on the notes and lease are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Decrease in accrued interest	103	
------------------------------	-----	--

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(2,582)	
------------------------------------------	---------	--

Change in Net Position of Governmental Activities \$981,609

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,680,000	\$1,810,000	\$2,124,225	\$314,225
Intergovernmental	3,886,439	4,187,018	4,251,177	64,159
Tuition and Fees	250,250	310,755	337,143	26,388
Rent	52,165	52,165	48,026	(4,139)
Customer Sales and Services	100,250	127,150	182,611	55,461
Contributions and Donations	0	25	25	0
Miscellaneous	3,204	4,911	5,820	909
Total Revenues	5,972,308	6,492,024	6,949,027	457,003
Expenditures:				
Current:				
Instruction:				
Regular	190,709	191,272	189,359	1,913
Vocational	3,796,852	4,027,099	3,715,585	311,514
Adult/Continuing	59,000	50,227	39,803	10,424
Support Services:				
Pupils	512,024	581,334	538,304	43,030
Instructional Staff	149,922	163,859	156,814	7,045
Board of Education	57,860	62,924	41,920	21,004
Administration	557,266	567,952	521,272	46,680
Fiscal	338,715	408,889	384,939	23,950
Business	13,650	13,800	2,319	11,481
Operation and Maintenance of Plant	610,620	645,999	558,913	87,086
Pupil Transportation	141,165	138,707	123,907	14,800
Central	30,000	57,684	37,684	20,000
Operation of Non-Instructional Services	36,350	37,781	24,982	12,799
Extracurricular Activities	10,877	10,877	8,109	2,768
Capital Outlay	20,000	8,000	0	8,000
Total Expenditures	6,525,010	6,966,404	6,343,910	622,494
Excess of Revenues Over (Under) Expenditures	(552,702)	(474,380)	605,117	1,079,497
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	4,000	4,050	50
Refund of Prior Year Expenditures	0	5,719	5,891	172
Advances In	25,000	33,000	4,000	(29,000)
Advances Out	0	0	(13,918)	(13,918)
Transfers In	77,936	78,030	0	(78,030)
Transfers Out	(19,000)	(19,000)	(196,475)	(177,475)
Total Other Financing Sources (Uses)	83,936	101,749	(196,452)	(298,201)
Net Change in Fund Balance	(468,766)	(372,631)	408,665	781,296
Fund Balance at Beginning of Year	5,474,594	5,474,594	5,474,594	0
Prior Year Encumbrances Appropriated	199,061	199,061	199,061	0
Fund Balance at End of Year	\$5,204,889	\$5,301,024	\$6,082,320	\$781,296

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Ohio School Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
Expenditures:				
Current:				
Support Services:				
Operation and Maintenance of Plant	646,359	646,359	172,608	473,751
Excess of Revenues Under Expenditures	(646,359)	(646,359)	(172,608)	473,751
Other Financing Sources:				
Transfers In	158,158	157,500	157,500	0
Net Change in Fund Balance	(488,201)	(488,859)	(15,108)	473,751
Fund Balance at Beginning of Year	1,412,128	1,412,128	1,412,128	0
Prior Year Encumbrances Appropriated	60,359	60,359	60,359	0
Fund Balance at End of Year	<u>\$984,286</u>	<u>\$983,628</u>	<u>\$1,457,379</u>	<u>\$473,751</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Fund	
	Scholarship Fund	Agency Fund
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$67,574	\$47,184
<u>Liabilities:</u>		
Undistributed Monies	0	\$47,184
<u>Net Position:</u>		
Held in Trust for Scholarships	\$67,574	

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Scholarship Fund
<u>Additions:</u>	
Contribution and Donations	\$3,200
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	750
<i>Changes in Net Position</i>	2,450
Net Position Beginning of Year	65,124
Net Position End of Year	\$67,574

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 1 – Description of the School District and Reporting Entity

The Southern Hills Joint Vocational School District (the “School District”) is a distinct political subdivision of the State of Ohio operated under the direction of a seven-member Board of Education. The Board of Education is not directly elected. The Board of Education is comprised of members of other elected boards who, by charter, also serve as board members of the Southern Hills Joint Vocational School. The School District provides educational services as authorized by State statute and federal guidelines.

A board member is appointed by each local board of education within the Joint Vocational School District. The Board is appointed by the boards of Georgetown Exempted Village School District and Western Brown, Eastern, Fayetteville Perry and Ripley Union Lewis Huntington Local School Districts. Bright Local School District has assigned their appointment to the Southern Ohio Educational Service Center. The Brown County Educational Service Center makes the final appointment to the Board. The School District is responsible for levying taxes, approving its own budget, appointing personnel, and accounting and finance related activities.

The School District, located in Brown County, was established in 1970 and includes all of Brown County and the Bright Local School District in Highland County. The School District serves an area of approximately 634 square miles. It is staffed by 17 non-certificated and 39 certificated teaching personnel and administrative employees providing education to 440 secondary students and 980 adult education students. Secondary students include the full-time equivalents of home schooled students and students attending programs offered outside the central building. These students are not included as full-time students in the School District’s average daily membership.

Reporting Entity

The School District is a jointly governed organization, legally separate from other organizations. None of the school districts that appoint Board members are financially accountable for the School District.

The reporting entity is comprised of the jointly governed organization, component units, and other organizations that are included to ensure that the financial statements are not misleading. The jointly governed organization of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Southern Hills Joint Vocational School District, this includes general operations, food service, continuing education 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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District has no component units.

The School District participates in three organizations, one of which is defined as a jointly governed organization, one as an insurance purchasing pool, and one as a public entity shared risk and insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the basic financial statements. These organizations are:

Jointly Governed Organization:

Hamilton/Clermont Cooperative

Insurance Purchasing Pool:

Ohio SchoolComp Workers' Compensation Group Rating Plan

Public Entity Shared Risk and Insurance Purchasing Pool:

Brown County Schools Benefits Consortium

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following 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 and report all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Ohio School Facilities Maintenance Fund – This fund accounts for and reports property taxes restricted to expenditures for maintenance and upkeep of School District classroom facilities.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Permanent Improvement Fund – This fund accounts for and reports property tax revenues restricted to acquiring, constructing, or improving capital assets.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer and faculty advisor.

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

The private purpose trust fund is reported using the flow of economic resources measurement focus.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows 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 that the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of 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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Note 10 and 11.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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 (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. 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 the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 13. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Note 10 and 11).

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

During fiscal year 2019, the School District’s investments were limited to STAR Ohio, Money Market Mutual Funds, Federal National Mortgage Association Medium Term Notes, negotiable certificates of deposit, and Commercial Paper. Investments, except for STAR Ohio, Money Market Mutual Funds, and Commercial Paper, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price. The School District’s commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase less than one year.

STAR Ohio (the State Treasury Asset Reserve of 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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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 an NAV per share that approximates fair value.

For the 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the Permanent Improvement Capital Projects Fund during fiscal year 2019 amounted to \$372,506, which includes \$326,287 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the General Fund include amounts required by statute to be set-aside by the School District for budget stabilization.

Interfund Balances

On fund financial statements, outstanding interfund loans are reported as “Interfund Receivable” and “Interfund Payable”. Long-term interfund loan receivables are reported as “Advances to Other Funds” or “Advances from Other Funds” and are classified as nonspendable fund balance which indicate that they are not in spendable form even though it is a component of net position. These amounts are eliminated in the Statement of Net Position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Inventory

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

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$1,000 for furniture, equipment, and vehicles. The capitalization threshold for land and buildings is zero dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	8 - 10 years
Vehicles	10 years
Textbooks	5 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some 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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

liability for accumulated unused sick leave for employees with at least 15 years of service for all positions.

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

On governmental fund financial statements, compensated absences are recognized a liability and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees are paid.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits. Loans, tax anticipation notes, and capital leases that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

Pensions/Other Postemployment Benefits (OPEB)

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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, laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. The amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by a State statute. State Statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2020 appropriated budget.

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

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

Net Position

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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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

Internal Activity

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

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

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government 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. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 Basis) and Actual for the General Fund and the Ohio School Facilities Maintenance Special Revenue 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 are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

3. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Ohio School Facilities Maintenance Special Revenue Fund.

	Net Change in Fund Balance	
	General Fund	Ohio School Facilities Maintenance Fund
GAAP Basis	\$13,314	(\$2,585)
Adjustments:		
Revenue Accruals	411,972	(157,500)
Expenditure Accruals	69,415	(305)
Transfers	0	157,500
Advances	(9,918)	0
Encumbrances	(76,118)	(12,218)
Budget Basis	\$408,665	(\$15,108)

Note 5 – Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

(OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Investments

Investments are reported at fair value. As of June 30, 2019, the School District had the following investments:

<u>Mesurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>	<u>Percent of Total Investment</u>
Net Asset Value per Share:				
STAR Ohio	\$154,313	Less than one year	AAAm	N/A
Amortized Cost:				
Commercial Paper	1,335,083	Less than one year	N/A	16.51%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	11,366	Less than one year	Aaa	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificate of Deposits	6,336,812	Less than five years	Aaa	78.35%
Federal National Mortgage Association Medium Term Notes	<u>249,805</u>	Less than two years	Aaa	N/A
Total Fair Value - Level Two Inputs	<u>6,586,617</u>			
Total Investments	<u><u>\$8,087,379</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2019. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

The School District has no investment policy beyond State statute that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase,

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Standard and Poor's or Moody's rating of the School District's investments is listed in the table above. STAR Ohio is permitted by Ohio Revised Code Section 135.45. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized rating service. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of the total investments is listed in the table preceding.

Note 6 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 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 statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

The School District receives property taxes from Brown County. The Brown 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.

Accrued property taxes receivable includes real property and public utility property taxes that 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 – property taxes.

The amounts available as an advance at June 30, 2019, were \$468,488 in the General Fund and \$169,993 in the Permanent Improvement Capital Projects Fund. The amounts available as an advance at June 30, 2018, were \$883,874 in the General Fund and \$288,747 in the Permanent Improvement Capital Projects Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$780,650,927	93.55%	\$810,940,780	94.49%
Public Utility Personal	53,812,800	6.45%	47,295,040	5.51%
Total Assessed Value	<u>\$834,463,727</u>	<u>100.00%</u>	<u>\$858,235,820</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed	\$6.40		\$6.40	

Note 7 – Receivables

Receivables at June 30, 2019, consisted of property taxes, interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Southern Hills Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Carl D. Perkins Grant	\$9,918
High Schools that Work Grant	4,000
State Foundation Adjustment	1,104
Bureau of Workers Compensation Rebate	7,484
Total Intergovernmental Receivables	\$22,506

Note 8 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2019, was as follows:

	Ending Balance 6/30/2018	Additions	Deletions	Ending Balance 6/30/2019
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$339,053	\$0	\$0	\$339,053
Capital Assets Being Depreciated				
Land Improvements	651,325	11,350	0	662,675
Buildings and Improvements	18,596,878	43,962	0	18,640,840
Furniture and Equipment	6,704,297	427,682	(36,235)	7,095,744
Vehicles	612,108	1,332	(59,583)	553,857
Textbooks	4,295	0	0	4,295
Total Capital Assets Being Depreciated	26,568,903	484,326	(95,818)	26,957,411
Less Accumulated Depreciation:				
Land Improvements	(477,344)	(12,348)	0	(489,692)
Buildings and Improvements	(6,917,253)	(461,114)	0	(7,378,367)
Furniture and Equipment	(4,459,178)	(370,476)	35,011	(4,794,643)
Vehicles	(441,529)	(27,174)	51,504	(417,199)
Textbooks	(4,295)	0	0	(4,295)
Total Accumulated Depreciation	(12,299,599)	(871,112) *	86,515	(13,084,196)
Total Capital Assets Being Depreciated, Net	14,269,304	(386,786)	(9,303)	13,873,215
Governmental Activities Capital Assets, Net	\$14,608,357	(\$386,786)	(\$9,303)	\$14,212,268

* Depreciation expense was charged to governmental functions as follows:

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Instruction:	
Regular	\$12,449
Special	4,840
Vocational	677,848
Adult/Continuing	37,424
Support Services:	
Pupils	10,189
Instructional Staff	2,549
Board of Education	43,438
Administration	6,822
Fiscal	5,864
Operation and Maintenance of Plant	30,821
Pupil Transportation	12,324
Central	78
Operation of Non-Instructional Services	26,466
Total Depreciation Expense	<u><u>\$871,112</u></u>

Note 9 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District contracted with Markel Insurance Company for general liability insurance with a \$6,000,000 single occurrence limit and an \$8,000,000 aggregate. Property is protected by Markel Insurance Company and holds a \$1,000 deductible with a \$28,939,000 limit. The School District's vehicles are covered by Markel Insurance Company under a business policy and hold a \$500 deductible for comprehensive and a \$500 deductible for collision with a \$1,000,000 limit on any accident. School Board errors and omissions coverage is provided by Markel Insurance Company and has a \$6,000,000 general liability and an \$8,000,000 aggregate limit.

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

Workers' Compensation

For fiscal year 2019, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Employee Medical and Dental Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 17) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

Note 10 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$119,063 for fiscal year 2019. None of this amount 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.

For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$412,754 for fiscal year 2019. Of this amount, \$72,006 is reported as an intergovernmental payable.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02820750%	0.01952676%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.02746010%</u>	<u>0.02092027%</u>	
Change in Proportionate Share	<u>-0.00074740%</u>	<u>0.00139351%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,572,690	\$4,599,897	\$6,172,587
Pension Expense	\$134,857	\$446,946	\$581,803

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and			
actual experience	\$86,252	\$106,180	\$192,432
Changes of assumptions	35,515	815,188	850,703
Changes in proportionate share and			
difference between School District contributions			
and proportionate share of contributions	22,160	285,878	308,038
School District contributions subsequent to the			
measurement date	<u>119,063</u>	<u>412,754</u>	<u>531,817</u>
Total Deferred Outflows of Resources	<u>\$262,990</u>	<u>\$1,620,000</u>	<u>\$1,882,990</u>

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Deferred Inflows of Resources:

Differences between expected and actual experience	\$0	\$30,040	\$30,040
Net difference between projected and actual earnings on pension plan investments	43,575	278,932	322,507
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>47,273</u>	<u>104,321</u>	<u>151,594</u>
Total Deferred Outflows of Resources	<u>\$90,848</u>	<u>\$413,293</u>	<u>\$504,141</u>

\$531,817 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$103,949	\$399,588	\$503,537
2021	14,106	292,485	306,591
2022	(51,611)	102,875	51,264
2023	<u>(13,365)</u>	<u>(995)</u>	<u>(14,360)</u>
Total	<u>\$53,079</u>	<u>\$793,953</u>	<u>\$847,032</u>

Actuarial Assumptions - SERS

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

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

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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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:

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

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

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

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

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 %	

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Discount Rate

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,215,254	\$1,572,690	\$1,033,945

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial 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 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 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 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 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$6,717,545	\$4,599,897	\$2,807,596

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2019, three members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 – Defined Benefit OPEB Plans

See Note 10 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

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

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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$3,371.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$7,781 for fiscal year 2019. Of this amount, \$3,371 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, 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 (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:

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.02626210%	0.01952676%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.02522060%	0.02092027%	
Change in Proportionate Share	-0.00104150%	0.00139351%	
Proportionate Share of the			
Net OPEB (Asset)	\$0	(\$336,167)	(\$336,167)
Net OPEB Liability	\$699,687	\$0	\$699,687
OPEB Expense	\$18,016	(\$717,621)	(\$699,605)

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	\$11,421	\$39,265	\$50,686
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	65,871	65,871
School District contributions subsequent to the measurement date	7,781	0	7,781
Total Deferred Outflows of Resources	\$19,202	\$105,136	\$124,338
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$19,586	\$19,586
Changes of assumptions	62,862	458,054	520,916
Net difference between projected and actual earnings on OPEB plan investments	1,049	38,405	39,454
Changes in Proportionate share and Difference between School District contributions and proportionate share of contributions	57,907	0	57,907
Total Deferred Inflows of Resources	\$121,818	\$516,045	\$637,863

\$7,781 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 of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	(\$41,995)	(\$73,844)	(\$115,839)
2021	(34,380)	(73,844)	(108,224)
2022	(10,263)	(73,844)	(84,107)
2023	(9,816)	(65,122)	(74,938)
2024	(9,889)	(62,060)	(71,949)
Thereafter	(4,054)	(62,195)	(66,249)
Total	<u>(\$110,397)</u>	<u>(\$410,909)</u>	<u>(\$521,306)</u>

Actuarial Assumptions - SERS

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

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

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

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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as pension plan, see Note 10.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018, was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018, was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, 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 Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) 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	\$849,016	\$699,687	\$581,448

	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	\$564,520	\$699,687	\$878,674

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 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 the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent 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 percent to 1.944 percent 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 were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net OPEB asset	(\$288,127)	(\$336,167)	(\$376,543)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$374,264)	(\$336,167)	(\$297,477)

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Vacation leave may be accumulated up to a maximum of 100 days. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and certified employees who earn vacation time upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each fiscal year under contract. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 62.50 days for all personnel.

Other Employee Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Guardian Insurance Company. Vision insurance is provided to the School District by Vision Service Plan.

Note 13 – Capitalized Lease – Lessee Disclosure

The School District has entered into a lease agreement for a renovation project involving the School District building, which meets the definition of a Qualified Zone Academy. As part of the agreement, the School District received \$3,465,997 in lease proceeds from JPMorgan, the lessor. Of these proceeds, \$2,141,004 was receipted in to the Debt Service Fund and was used to pay the outstanding principal and interest of \$2,104,790 and \$36,214, respectively, on a lease that was originally entered into in 2006 with Fifth Third Bank for the construction project. The remaining proceeds of \$1,324,993 were receipted in to the Permanent Improvement Capital Projects Fund for use in the construction project. The School District makes annual interest payments of 0.75 percent to the lessor and annual sinking fund transfers to an irrevocable trust with an escrow agent. The first sinking fund payment was made on July 31, 2008. The escrow agent will be investing the School District's deposits and has guaranteed a return on the investments to meet the School District's lease liability. JPMorgan Chase Bank, N.A. will be repaid in fiscal year 2023 when the entire principal amount of \$3,465,997 is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the lease is paid timely.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2019.

Fiscal Year Ending June 30,	Total Payments
2020	\$298,183
2021	310,947
2022	324,309
2023	338,298
Total	1,271,737
Less: Amount Representing Interest	(103,980)
Present Value of Net Minimum Lease Payments	\$1,167,757

The following is a schedule of the interest and sinking fund payments required under the lease and escrow agreements:

Fiscal Year Ending June 30,	Interest	Principal Retirement Through Investment Earnings	Sinking Fund Payments	Total Lease Payments
2020	\$25,995	\$115,139	\$157,049	\$298,183
2021	25,995	127,903	157,049	310,947
2022	25,995	141,265	157,049	324,309
2023	25,995	155,254	157,049	338,298
Total Lease Payments	\$103,980	\$539,561	\$628,196	\$1,271,737

At fiscal year-end, capital assets under this lease have been capitalized as buildings and improvements in the Statement of Net Position for governmental activities. A liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2019 totaled \$259,995 and were paid from the Permanent Improvement Fund.

<u>Asset:</u>	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$1,324,993	(\$340,079)	\$984,914

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 14 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2019 were as follows:

	Amount Outstanding 6/30/18	Additions	Deductions	Amount Outstanding 6/30/19	Amounts Due in One Year
<u>Governmental Activities:</u>					
Net Pension Liability:					
STRS	\$4,638,623	\$0	\$38,726	\$4,599,897	\$0
SERS	1,685,335	0	112,645	1,572,690	0
Total Net Pension Liability	<u>6,323,958</u>	<u>0</u>	<u>151,371</u>	<u>6,172,587</u>	<u>0</u>
Net OPEB Liability:					
STRS	761,861	0	761,861	0	0
SERS	704,805	0	5,118	699,687	0
Total Net OPEB Liability	<u>1,466,666</u>	<u>0</u>	<u>766,979</u>	<u>699,687</u>	<u>0</u>
2005 Facility Improvement and Equipment Replacement					
Loan - 0%	66,667	0	33,333	33,334	33,334
Direct Placement:					
2014 Permanent Improvement Tax					
Anticipation Note - 2.5%	1,012,626	0	219,592	793,034	225,145
Capital Lease	1,427,752	0	259,995	1,167,757	157,049
Compensated Absences	407,648	57,543	54,961	410,230	56,924
Total Governmental Activities Long-Term Obligations	<u>\$10,705,317</u>	<u>\$57,543</u>	<u>\$1,486,231</u>	<u>\$9,276,629</u>	<u>\$472,452</u>

On February 16, 2005, the School District entered into a loan with the Ohio Department of Education in the amount of \$500,000 for the purpose of making facility improvements and replacing equipment. The loan was issued for a 15 year period, with final maturity during fiscal year 2020. The loan will be retired from the Permanent Improvement Fund.

On August 13, 2013, the School District entered into a tax anticipation note in the amount of \$2,000,000 for general ongoing permanent improvements of the School District. The note was issued for a 10 year period, with final maturity during fiscal year 2023. The loan will be retired from the Permanent Improvement Fund. The note is directly placed with the National Bank and Trust Company.

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund, Lunchroom, and Adult Education Opportunity Special Revenue Funds. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see notes 10 and 11.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Principal requirements to retire the debt outstanding at June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Loan Principal	Tax Anticipation Note Principal	Tax Anticipation Note Interest
2020	\$33,334	\$225,145	\$17,258
2021	0	230,839	11,564
2022	0	236,677	5,727
2023	0	100,373	628
Total	<u>\$33,334</u>	<u>\$793,034</u>	<u>\$35,177</u>

The School District's overall legal debt margin was \$77,241,224, with an unvoted debt margin of \$858,236 at June 30, 2019.

Note 15 – Interfund Activity

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2019, were as follows:

Transfers To	<u>Transfers From General Fund</u>
Nonmajor Governmental Funds	<u>\$196,475</u>

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

Interfund Balances

Interfund balances at June 30, 2019, consist of the following individual interfund receivable and payable:

Payable	<u>Receivable General Fund</u>
Nonmajor Governmental Funds	<u>\$13,918</u>

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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

Advances To/From Other Funds

As of June 30, 2019, receivables and payables that resulted from various long-term advances were as follows:

Advances To	Advances From General Fund
Nonmajor Governmental Funds	<u>\$200,000</u>

The advance from the General Fund to the Nonmajor Governmental Funds was made to cover expenditures for which the School District is awaiting reimbursement from the Ohio School Facilities Commission and to move monies needed to pay for supplies. The General Fund will be reimbursed when the monies are received or when balances become available.

Note 16 – Jointly Governed Organization and Insurance Purchasing Pool

Hamilton/Clermont Cooperative

The School District is a participant in a two county Council of Governments that operates the Hamilton/Clermont Cooperative (H/CC). H/CC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CC consists of one representative from each of the participating members. The School District paid \$10,302 for services provided during the fiscal year. 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. Complete financial statements for H/CC can be obtained from Dave Horine, Director, at the administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Ohio SchoolComp Workers’ Compensation Group Rating Plan

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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 17 – Public Entity Shared Risk and Insurance Purchasing Pool

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School Districts), along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 325 West State Street, Georgetown, Ohio 45121.

Note 18 – Set-Asides

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

The School District is no longer required to set aside funds in the budget stabilization set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

The following cash basis information identifies the change in the fiscal year-end set-aside amounts for capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	Capital Acquisitions	Budget Stabilization
Set-aside Balance as of June 30, 2018	\$0	\$20,297
Current Fiscal Year Set-aside Requirement	82,119	0
Qualifying Disbursements	(82,119)	0
Set-aside Balance as of June 30, 2019	<u>\$0</u>	<u>\$20,297</u>
Required Set-aside Balances Carried Forward to Fiscal Year 2019	<u>\$0</u>	<u>\$20,297</u>

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

Note 19 - Significant Commitments

Encumbrances

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

General Fund	\$76,118
Ohio School Facilities Maintenance	12,218
Nonmajor Governmental Funds	19,853
Total	<u>\$108,189</u>

Note 20 – Accountability

At June 30, 2019, the Vocational Education Planning District grant special revenue fund had a negative fund balances of \$4,126. The deficit in this fund was created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

Note 21 – Fund Balances

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

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Fund Balances	General Fund	Ohio School Facilities Maintenance Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$6,089	\$0	\$0	\$402	\$6,491
Inventory	0	0	0	1,360	1,360
Long Term Advances	200,000	0	0	0	200,000
<i>Total Nonspendable</i>	206,089	0	0	1,762	207,851
<i>Restricted for</i>					
Permanent Improvements	0	0	1,556,358	0	1,556,358
Capital Improvements	0	0	0	567,306	567,306
Food Service Operations	0	0	0	456,879	456,879
Adult Education	0	0	0	683,119	683,119
Classroom Facilities Maintenance	0	1,469,301	0	0	1,469,301
Renewed Opportunity	0	0	0	112,632	112,632
State and Federal Grants	0	0	0	43,412	43,412
Set Asides	20,297	0	0	0	20,297
<i>Total Restricted</i>	20,297	1,469,301	1,556,358	1,863,348	4,909,304
<i>Committed to</i>					
Termination Benefits	492,756	0	0	0	492,756
<i>Assigned to</i>					
Future Appropriations	269,145	0	0	0	269,145
Purchases on Order	60,905	0	0	0	60,905
<i>Total Assigned</i>	330,050	0	0	0	330,050
<i>Unassigned (Deficit)</i>	5,214,764	0	0	(4,126)	5,210,638
<i>Total Fund Balances</i>	\$6,263,956	\$1,469,301	\$1,556,358	\$1,860,984	\$11,150,599

Note 22 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The School District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Southern Hills Joint Vocational School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.02746010%	0.02820750%	0.02865070%
School District's Proportionate Share of the Net Pension Liability	\$1,572,690	\$1,685,335	\$2,096,966
School District's Covered Payroll	\$607,185	\$1,194,057	\$882,821
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	259.01%	141.14%	237.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

This page intentionally left blank.

2016	2015	2014
0.02748030%	0.25829000%	0.02582900%
\$1,568,053	\$1,307,191	\$1,535,968
\$841,486	\$676,046	\$665,046
186.34%	193.36%	230.96%
69.16%	71.70%	65.52%

This Page Intentionally Left Blank

Southern Hills Joint Vocational School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.02522060%	0.02626210%	0.02689810%
School District's Proportionate Share of the Net OPEB Liability	\$699,687	\$704,805	\$766,695
School District's Covered Payroll	\$607,185	\$1,194,057	\$882,821
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	115.23%	59.03%	86.85%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

Southern Hills Joint Vocational School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.02092027%	0.01952676%	0.01910238%
School District's Proportionate Share of the Net Pension Liability	\$4,599,897	\$4,638,623	\$6,394,143
School District's Covered Payroll	\$2,684,293	\$1,883,264	\$2,024,057
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	171.36%	246.31%	315.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.00198145%	0.02018418%	0.02018418%
\$5,476,147	\$4,909,492	\$5,848,154
\$2,051,843	\$2,168,992	\$2,178,692
266.89%	226.35%	268.42%
72.10%	74.70%	69.30%

This Page Intentionally Left Blank

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.02092027%	0.01952676%	0.01910238%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$336,167)	\$761,861	\$1,021,600
School District's Covered Payroll	\$2,684,293	\$1,883,264	\$2,024,057
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-12.52%	40.45%	50.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$119,063	\$81,970	\$167,168	\$123,595
Contributions in Relation to the Contractually Required Contribution	<u>(119,063)</u>	<u>(81,970)</u>	<u>(167,168)</u>	<u>(123,595)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$881,948	\$607,185	\$1,194,057	\$882,821
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	7,781	4,834	3,388	4,445
Contributions in Relation to the Contractually Required Contribution	<u>(7,781)</u>	<u>(4,834)</u>	<u>(3,388)</u>	<u>(4,445)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.88%</u>	<u>0.80%</u>	<u>0.28%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>14.38%</u>	<u>14.30%</u>	<u>14.28%</u>	<u>14.50%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$110,908	\$93,700	\$92,042	\$103,088	\$78,496	\$92,164
<u>(110,908)</u>	<u>(93,700)</u>	<u>(92,042)</u>	<u>(103,088)</u>	<u>(78,496)</u>	<u>(92,164)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$841,486	\$676,046	\$665,046	\$766,457	\$624,471	\$680,681
<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>
16,380	7,228	5,901	14,557	18,933	14,800
<u>(16,380)</u>	<u>(7,228)</u>	<u>(5,901)</u>	<u>(14,557)</u>	<u>(18,933)</u>	<u>(14,800)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.95%</u>	<u>1.07%</u>	<u>0.89%</u>	<u>1.90%</u>	<u>3.03%</u>	<u>2.17%</u>
<u>15.13%</u>	<u>14.93%</u>	<u>14.73%</u>	<u>15.35%</u>	<u>15.60%</u>	<u>15.71%</u>

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$412,754	\$375,801	\$263,657	\$283,368
Contributions in Relation to the Contractually Required Contribution	<u>(412,754)</u>	<u>(375,801)</u>	<u>(263,657)</u>	<u>(283,368)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (2)	\$2,948,243	\$2,684,293	\$1,883,264	\$2,024,057
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$287,258	\$281,969	\$283,230	\$270,614	\$316,250	\$335,776
<u>(287,258)</u>	<u>(281,969)</u>	<u>(283,230)</u>	<u>(270,614)</u>	<u>(316,250)</u>	<u>(335,776)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,051,843	\$2,168,992	\$2,178,692	\$2,081,646	\$2,432,692	\$2,582,892
<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$21,690	\$21,787	\$20,816	\$24,327	\$25,829
<u>0</u>	<u>(21,690)</u>	<u>(21,787)</u>	<u>(20,816)</u>	<u>(24,327)</u>	<u>(25,829)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Southern Hills Joint Vocational School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

Net Pension Liability

Changes in Assumptions - SERS

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

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

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

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

Changes in Assumptions - STRS

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

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

Southern Hills Joint Vocational School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

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

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

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

Southern Hills Joint Vocational School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent 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.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

December 31, 2019

Southern Hills Joint Vocational School District
Brown County
9193 Hamer Road
Georgetown, OH 45121

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 the **Southern Hills Joint Vocational School District**, Brown County, (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 31, 2019.

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 opinions 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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*.

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 communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY, 4 2020**