

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

The School District as a Whole

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

2018 amounts tie to page 5

Table 1
 Net Position
 Governmental Activities

	2018	2017	Change
Assets			
Current and Other Assets	\$14,724,993	\$13,039,897	\$1,685,096
Capital Assets	4,391,739	4,231,509	160,230
Total Assets	19,116,732	17,271,406	1,845,326
Deferred Outflows of Resources			
Pension	4,827,355	4,170,952	656,403
OPEB	164,887	31,482	133,405
Total Deferred Outflows of Resources	4,992,242	4,202,434	789,808
Liabilities			
Current and Other Liabilities	1,843,989	1,622,284	221,705
Long-term Liabilities:			
Due Within One Year	479,547	443,850	35,697
Due in More Than One year:			
Net Pension Liability	16,032,304	22,231,155	(6,198,851)
Net OPEB Liability	3,608,037	4,572,126	(964,089)
Other Amounts	1,232,951	1,126,678	106,273
Total Liabilities	23,196,828	29,996,093	(6,799,265)
Deferred Inflows of Resources			
Property Taxes	5,834,230	5,240,264	593,966
Pension	1,902,515	1,696,375	206,140
OPEB	481,176	0	481,176
Total Deferred Inflows of Resources	8,217,921	6,936,639	1,281,282
Net Position			
Net Investment in Capital Assets	3,807,745	3,723,349	84,396
Restricted	524,796	328,298	196,498
Unrestricted	(11,638,316)	(19,510,539)	7,872,223
Total Net Position	(\$7,305,775)	(\$15,458,892)	\$8,153,117

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$10,918,248) to (\$15,458,892).

see page 9

Include any other analysis of current year to prior year.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

2018 amounts tie to page 6

Table 2
 Changes in Net Position
 Governmental Activities

	2018	2017	Change
Revenues			
Program Revenues			
Charges for Services	\$1,654,964	\$1,483,242	\$171,722
Operating Grants, Contributions and Interest	1,373,389	1,051,494	321,895
Total Program Revenues	3,028,353	2,534,736	493,617
General Revenues			
Property Taxes	7,001,454	7,674,552	(673,098)
Income Taxes	2,937,699	2,984,250	(46,551)
Grants and Entitlements	6,065,494	6,318,925	(253,431)
Interest	30,407	11,681	18,726
Miscellaneous	24,641	27,067	(2,426)
Total General Revenues	16,059,695	17,016,475	(956,780)
Total Revenues	19,088,048	19,551,211	(463,163)

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Table 2
 Changes in Net Position (continued)
 Governmental Activities

	2018	2017	Change
Program Expenses			
Instruction:			
Regular	3,712,233	8,703,253	(4,991,020)
Special	1,515,813	2,078,373	(562,560)
Vocational	26,006	77,369	(51,363)
Intervention	118,139	198,011	(79,872)
Support Services:			
Pupils	826,974	1,001,316	(174,342)
Instructional Staff	284,745	326,916	(42,171)
Board of Education	189,277	138,441	50,836
Administration	675,288	1,235,711	(560,423)
Fiscal	386,853	485,976	(99,123)
Business	2,779	56	2,723
Operation and Maintenance of Plant	1,452,423	1,517,178	(64,755)
Pupil Transportation	1,108,515	1,419,591	(311,076)
Operation of Non-Instructional Services:			
Community Services	38,015	41,561	(3,546)
Food Service Operations	306,146	376,625	(70,479)
Extracurricular Activities	277,691	530,337	(252,646)
Interest and Fiscal Charges	14,034	10,871	3,163
Total Expenses	10,934,931	18,141,585	(7,206,654)
Increase (Decrease) in Net Position	8,153,117	1,409,626	6,743,491
Net Position Beginning of Year	(15,458,892)	N/A	
Net Position End of Year	(\$7,305,775)	(\$15,458,892)	\$8,153,117

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$31,482 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$572,878. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$10,934,931	← above
Negative OPEB expense under GASB 75	572,878	← page 11
2018 contractually required contribution	43,440	
Adjusted 2018 program expenses	11,551,249	← page 12
Total 2017 program expenses under GASB 45	18,141,585	← above
Decrease in program expenses not related to OPEB	(\$6,590,336)	

Include any other analysis of the program expenses.

Generic Local School District

Statement of Net Position

June 30, 2018

	Governmental Activities	
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,919,344	
Restricted Cash and Cash Equivalents	39,468	
Accounts Receivable	33,949	
Intergovernmental Receivable	133,510	
Prepaid Items	21,067	
Inventory Held for Resale	3,668	
Materials and Supplies Inventory	1,604	
Income Taxes Receivable	1,513,494	
Property Taxes Receivable	8,058,889	
Nondepreciable Capital Assets	110,281	
Depreciable Capital Assets, Net	4,281,458	
	<hr/>	
<i>Total Assets</i>	19,116,732	
	<hr/>	
Deferred Outflows of Resources		
Pension	4,827,355	
OPEB	164,887	← see page 12
	<hr/>	
<i>Total Deferred Inflows of Resources</i>	4,992,242	
	<hr/>	
Liabilities		
Accounts Payable	383,269	
Accrued Wages and Benefits	1,117,326	
Intergovernmental Payable	290,496	
Matured Compensated Absences Payable	3,656	
Claims Payable	49,242	
Long-Term Liabilities:		
Due Within One Year	479,547	
Due In More Than One Year:		
Net Pension Liability (See Note 16)	16,032,304	
Net OPEB Liability (See Note 17)	3,608,037	← see page 11
Other Amounts Due in More Than One Year	1,232,951	
	<hr/>	
<i>Total Liabilities</i>	23,196,828	
	<hr/>	
Deferred Inflows of Resources		
Property Taxes	5,834,230	
Pension	1,902,515	
OPEB	481,176	← see page 12
	<hr/>	
<i>Total Deferred Inflows of Resources</i>	8,217,921	
	<hr/>	
Net Position		
Net Investment in Capital Assets	3,807,745	
Restricted for:		
Capital Projects	156,056	
Set Asides	39,468	
Other Purposes	329,272	
Unrestricted (Deficit)	(11,638,316)	
	<hr/>	
<i>Total Net Position</i>	(\$7,305,775)	
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See accompanying notes to the basic financial statements

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$3,712,233	\$1,440,310	\$581,711	(\$1,690,212)
Special	1,515,813	0	485,203	(1,030,610)
Vocational	26,006	0	5,169	(20,837)
Student Intervention	118,139	0	0	(118,139)
Support Services:				
Pupil	826,974	0	3,155	(823,819)
Instructional Staff	284,745	26,071	69,933	(188,741)
Board of Education	189,277	0	0	(189,277)
Administration	675,288	0	5,400	(669,888)
Fiscal	386,853	0	0	(386,853)
Business	2,779	0	0	(2,779)
Operation and Maintenance of Plant	1,452,423	0	3,082	(1,449,341)
Pupil Transportation	1,108,515	0	82,896	(1,025,619)
Operation of Community Services	38,015	19,036	0	(18,979)
Operation of Food Services	306,146	108,746	133,160	(64,240)
Extracurricular Activities	277,691	60,801	3,680	(213,210)
Interest and Fiscal Charges	14,034	0	0	(14,034)
Totals	\$10,934,931	\$1,654,964	\$1,373,389	(7,906,578)
General Revenues				
Property Taxes Levied for:				
				6,653,880
				347,574
				2,937,699
Grants and Entitlements not Restricted to				
				6,065,494
				30,407
				24,641
				<u>16,059,695</u>
Change in Net Position			see page 9	8,153,117
Net Position, Beginning of Year (Restated See Note 3)				<u>(15,458,892)</u>
Net Position, End of Year				<u>(\$7,305,775)</u>

See accompanying notes to the basic financial statements

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

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

Deferred Outflows - Pension	4,827,355	
Deferred Inflows - Pension	(1,902,515)	
Net Pension Liability	(16,032,304)	
Deferred Outflows - OPEB	164,887	← see page 5, 11 and 12
Deferred Inflows - OPEB	(481,176)	← see page 5, 11 and 12
Net OPEB Liability	<u>(3,608,037)</u>	← see page 5, 11 and 12
 Total		 <u>(17,031,790)</u>

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

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows

Pension	1,127,726	
OPEB	43,440	← page 12

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities

Pension	5,521,388	
OPEB	572,878	← page 11

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

Note 2 – Summary of Significant Accounting Policies

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 16 and 17.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 and income taxes. 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 Balances to Net Position of Governmental Activities fund on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 16 and 17)

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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.

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

Note 3 – Change in Accounting Principle

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

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

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

Net Position June 30, 2017		(\$10,918,248)	from prior year financial statements
Adjustments:	see page 17		
Net OPEB Liability		(4,572,126)	to page 4
Deferred Outflow - Payments Subsequent to Measurement Date		<u>31,482</u>	
Restated Net Position June 30, 2017		<u><u>(\$15,458,892)</u></u>	to page 6

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

Note 17 - Defined Benefit OPEB Plans

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

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

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from school
district
records

earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$33,298

from school district records

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$43,440 for fiscal year 2018. Of this amount \$33,978 is reported as an intergovernmental payable.

from school district records

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 Ohio 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 Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS Ohio 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

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

from
OPEB
plan

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.06013700%	0.05346284%	
Proportion of the Net OPEB Liability Current Measurement Date	0.05671620%	0.05344026%	
Change in Proportionate Share	-0.00342080%	-0.00002258%	
Proportionate Share of the Net OPEB Liability	\$1,522,114	\$2,085,923	\$3,608,037
OPEB Expense	\$63,460	(\$636,338)	(\$572,878)

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to page 4 & 7

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

starts from
amount from
OPEB plan
with any
other
adjustments

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>	
Deferred Outflows of Resources				
Differences between expected and actual experience	\$0	\$120,412	\$120,412	← 1
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	1,035	1,035	← 2
School District contributions subsequent to the measurement date	<u>43,440</u>	<u>0</u>	<u>43,440</u>	← page 7
Total Deferred Outflows of Resources	<u><u>\$43,440</u></u>	<u><u>\$121,447</u></u>	<u><u>\$164,887</u></u>	
Deferred Inflows of Resources				
Changes of assumptions	\$144,441	\$168,028	\$312,469	
Net difference between projected and actual earnings on OPEB plan investments	4,020	89,157	93,177	
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>75,530</u>	<u>0</u>	<u>75,530</u>	← to page 5
Total Deferred Inflows of Resources	<u><u>\$223,991</u></u>	<u><u>\$257,185</u></u>	<u><u>\$481,176</u></u>	← 3

\$43,440 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

		<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:				
collective amounts from OPEB plan multiplied by proportionate share	2019	(\$80,704)	(\$30,052)	(\$110,756)
	2020	(80,704)	(30,052)	(110,756)
	2021	(61,576)	(30,052)	(91,628)
	2022	(1,007)	(30,053)	(31,060)
	2023	0	(7,763)	(7,763)
	Thereafter	<u>0</u>	<u>(7,766)</u>	<u>(7,766)</u>
Total		<u><u>(\$223,991)</u></u>	<u><u>(\$135,738)</u></u>	<u><u>(\$359,729)</u></u>

Actuarial Assumptions - SERS

← tie to 1 + 2 - 3 above

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.

Generic Local School District, Ohio

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

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

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

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

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

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

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

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

Generic Local School District, Ohio

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

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,838,146	\$1,522,114	\$1,271,735

collective amounts from OPEB plan multiplied by the school district's proportionate share percentage

↑
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Generic Local School District, Ohio

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

collective amounts from OPEB plan multiplied by the school district's proportionate share percentage

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$1,235,081	\$1,522,114	\$1,902,006

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

Generic Local School District, Ohio

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

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

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

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

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

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

Generic Local School District, Ohio

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

collective amounts from OPEB plan multiplied by the school district's proportionate share percentage

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$2,800,318	\$2,085,923	\$1,521,317
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$1,449,210	\$2,085,923	\$2,923,912

Note 19 - Long Term Obligations

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The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 7/1/2017	Additions	Reductions	Principal Outstanding 6/30/2018	Amount Due in One Year
Governmental Activities					
Net Pension Liability:					
STRS	\$17,888,067	\$0	\$5,187,856	\$12,700,211	\$0
SERS	4,343,088	0	1,010,995	3,332,093	0
Total Net Pension Liability	22,231,155	0	6,198,851	16,032,304	0
Net OPEB Liability:					
STRS	2,857,999	0	772,076	2,085,923	0
SERS	1,714,127	0	192,013	1,522,114	0
Total Net OPEB Liability	4,572,126	0	964,089	3,608,037	0
Capital Leases	508,160	342,928	267,094	583,994	210,303
Compensated Absences	1,062,368	471,670	405,534	1,128,504	269,244
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$28,373,809</u>	<u>\$814,598</u>	<u>\$7,835,568</u>	<u>\$21,352,839</u>	<u>\$479,547</u>

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 Note 16 and 17.

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.05671620%	0.06013700%
School District's Proportionate Share of the Net OPEB Liability	\$1,522,114	\$1,714,127
School District's Covered Payroll	\$1,855,793	\$1,863,114
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	82.02%	92.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.05344026%	0.05346284%
School District's Proportionate Share of the Net OPEB Liability	\$2,085,923	\$2,857,999
School District's Covered Payroll	\$5,876,614	\$6,346,229
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.50%	45.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

Generic Local School District
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
School Employees Retirement System of Ohio
Last Ten Fiscal Years

amounts prior to 2014
from prior financial
statements

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	2018	2017	2016	2015
Net OPEB Liability				
Contractually Required Contribution (1)	43,440	31,482	30,443	42,981
Contributions in Relation to the Contractually Required Contribution	(43,440)	(31,482)	(30,443)	(42,981)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,028,326	\$1,855,793	\$1,863,114	\$1,705,595
OPEB Contributions as a Percentage of Covered Payroll (1)	2.14%	1.70%	1.63%	2.52%
(1) Includes Surcharge				
See accompanying notes to the required supplementary information				

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2014	2013	2012	2011	2010	2009
30,755	31,451	34,353	47,196	35,460	85,667
<u>(30,755)</u>	<u>(31,451)</u>	<u>(34,353)</u>	<u>(47,196)</u>	<u>(35,460)</u>	<u>(85,667)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,671,483	\$1,638,054	\$1,605,293	\$1,573,187	\$1,541,723	\$1,510,889
1.84%	1.92%	2.14%	3.00%	2.30%	5.67%

Generic Local School District
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

amounts prior to 2014
from prior financial
statements

	2018	2017	2016	2015
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>
School District Covered Payroll	\$6,099,300	\$5,876,614	\$6,346,229	\$5,833,423
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
See accompanying notes to the required supplementary information				

see page 11

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2014	2013	2012	2011	2010	2009
\$56,584	\$54,887	\$53,789	\$52,175	\$50,610	\$49,092
(56,584)	(54,887)	(53,789)	(52,175)	(50,610)	(49,092)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,658,420	\$5,488,668	\$5,378,894	\$5,217,528	\$5,061,002	\$4,909,172
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Generic Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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