



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2018**



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
JUNE 30, 2018**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	21
Statement of Fiduciary Net Position Agency Funds.....	22
Notes to the Basic Financial Statements .....	23

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
JUNE 30, 2018**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Required Supplementary Information:	
Schedule of District's Proportionate Share of the Net Pension Liability (School Employees Retirement System) .....	66
Schedule of District's Proportionate Share of the Net Pension Liability (State Teachers Retirement System).....	67
Schedule of District Pension Contributions (School Employees Retirement System).....	68
Schedule of District Pension Contributions (State Teachers Retirement System).....	70
Schedule of District's Proportionate Share of the Net OPEB Liability (School Employees Retirement System) .....	72
Schedule of District's Proportionate Share of the Net OPEB Liability (State Teachers Retirement System).....	73
Schedule of District OPEB Contributions (School Employees Retirement System) .....	74
Schedule of District OPEB Contributions (State Teachers Retirement System).....	76
Notes to Schedules of Required Supplementary Information .....	78
Schedule of Expenditures of Federal Awards .....	81
Notes to the Schedule of Expenditures of Federal Awards.....	82
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	83
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	85
Schedule of Findings.....	87



## INDEPENDENT AUDITOR'S REPORT

Licking Valley Local School District  
Licking County  
1379 Licking Valley Road NE  
Newark, Ohio 43055

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 Licking Valley Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### **Opinion**

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

### **Emphasis of Matter**

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

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

March 5, 2019

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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$12.6 million (net position), an increase of approximately \$11.5 million during the fiscal year.
- General revenues accounted for approximately \$20.7 million, or 83% of all revenues. Program specific revenues in the form of operating grants and contributions and charges for services and sales accounted for approximately \$4.1 million or 17% of total revenues.
- The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had approximately \$21.0 million in revenues and other financing sources and approximately \$19.6 million in expenditures and other financing uses. The General Fund's fund balance increased approximately \$1.4 in comparison with the prior fiscal year. The Bond Retirement Fund had approximately \$1.1 million in revenues and \$963,850 in expenditures. The Bond Retirement Fund's balance increased \$133,525 from the prior fiscal year.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the Bond Retirement Fund are the only major funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Reporting the District as a Whole**

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during the fiscal year. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, the District discloses a single type of activity:

- **Governmental Activities** - All of the District's programs and services are reported here including instruction, support services, non-instructional services, operation of non-instructional services (food service), and extracurricular activities.

**Reporting the District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund and the Bond Retirement Fund are the District's most significant major governmental funds. A description of the financial activities of these major funds can be found in the notes to the basic financial statements.

*Governmental Funds* - Most of the District's activities are reported in the governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

*Fiduciary Fund* - The District's only fiduciary fund is for student managed activities reported in the Agency fund. The District's fiduciary activities are reported on the Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because assets cannot be utilized by the District to finance operations.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**The District as a Whole**

The following table provides a summary of the District's net position for fiscal year 2018 compared to fiscal year 2017.

**District Net Position  
Governmental Activities**

	2018	Restated 2017
Current and Other Assets	\$ 19,973,003	\$ 19,032,599
Capital Assets, Net	33,948,479	34,617,081
Total Assets	53,921,482	53,649,680
Pension	7,416,679	6,668,646
OPEB	241,042	47,130
Total Deferred Outflows of Resources	7,657,721	6,715,776
Current Liabilities	1,952,734	1,929,270
Long-Term Liabilities	40,093,916	51,842,221
Total Liabilities	42,046,650	53,771,491
Deferred Property Taxes	5,150,310	5,478,780
Pension	1,052,824	-
OPEB	680,391	-
Deferred Amount on Refunding	72,095	81,708
Total Deferred Inflows of Resources	6,955,620	5,560,488
Net Position:		
Net Investment in Capital Assets	25,095,781	24,445,167
Restricted	2,936,921	3,046,649
Unrestricted	(15,455,769)	(26,458,339)
Total Net Position	\$ 12,576,933	\$ 1,033,477

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the District's financial 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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$7.9 million to \$1.0 million.

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

Capital Assets decreased significantly in comparison with the prior fiscal year-end. This decrease represents the amount by which current year depreciation exceeded capital additions.

The following table reflects the changes in net position for fiscal year 2018 compared to fiscal year 2017.

<b>Change in Net Position Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>
Revenues:		
Program Revenues		
Charges for Services and Sales	\$ 2,569,945	\$ 2,422,580
Operating Grants and Contributions	1,580,487	1,521,572
Total Program Revenues	4,150,432	3,944,152
General Revenues		
Property Taxes	6,404,683	5,426,959
Income Taxes	2,557,170	2,462,116
Grants and Entitlements	11,321,262	11,099,884
Interest	131,768	70,071
Other Revenue	245,481	256,664
Total General Revenue	20,660,364	19,315,694
Total Revenues	24,810,796	23,259,846
Expenses:		
Program Expenses		
Instruction	5,227,853	13,473,929
Support Services	6,055,481	8,213,945
Non-Instructional	958,093	951,069
Extra Curricular Activities	810,285	605,984
Interest and Fiscal Charges	215,628	268,093
Total Expenses	13,267,340	23,513,020
Changes in Net Position	11,543,456	(253,174)
Net Position at Beginning of Year, Restated	1,033,477	N/A
Net Position at End of Year	\$ 12,576,933	\$ 1,033,477

Property Taxes increased slightly in comparison with the prior fiscal year. This increase is primarily the result of an increase in property taxes available for advance.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

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 \$47,130 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 \$815,280. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	\$	13,267,340
Negative OPEB expense under GASB 75		815,280
2018 contractually required contribution		<u>64,750</u>
Adjusted 2018 operating expenses		14,147,370
Total 2017 operating expenses under GASB 45		<u>23,513,020</u>
Decrease in operating expenses not related to OPEB	\$	(9,365,650)

Total Expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in pension expense from \$2.8 million in fiscal year 2017 to negative \$7.4 million in fiscal year 2018. This decrease is primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

The District is dependent on property and income taxes and is hampered by a lack of revenue growth. The District must periodically return to the voters to maintain a constant level of service. Property and income taxes made up approximately 26 and 10 percent of the District's revenues in fiscal year 2018, respectively.

Instruction expenses comprise approximately 39 percent of governmental program expenses, and support services make up approximately 46 percent of the program expenses of the District.

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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2018 to 2017 follows:

	<u>Fiscal Year 2018</u>		<u>Fiscal Year 2017</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Expenses				
Instruction	\$ 5,227,853	\$ 2,780,546	\$ 13,473,929	\$ 11,121,256
Support Services:				
Pupil	191,439	191,439	703,773	703,773
Instructional Staff	27,121	27,121	496,960	496,960
Board of Education	43,928	43,928	27,505	27,505
Administration	1,754,710	1,550,517	2,434,308	2,193,344
Fiscal Services	479,454	479,454	458,316	458,316
Business Operations	85,878	85,878	95,144	95,144
Maintenance	2,027,291	1,951,793	2,102,066	2,056,444
Pupil Transportation	1,176,694	1,176,694	1,568,517	1,526,093
Central	268,966	268,966	327,356	327,356
Noninstructional Services	958,093	(67,609)	951,069	919
Extracurricular Activities	810,285	412,553	605,984	293,665
Interest and Fiscal Charges	215,628	215,628	268,093	268,093
Total Expenses	<u>\$ 13,267,340</u>	<u>\$ 9,116,908</u>	<u>\$ 23,513,020</u>	<u>\$ 19,568,868</u>

The dependence upon tax revenues and unrestricted state entitlements is apparent. Program revenues offset only 53 percent of instruction activities. For all program expenses, support from general revenues is 69 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds*

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$12.4 million, an increase of approximately \$1.2 million in comparison with the prior fiscal year. Of this amount, approximately \$8.9 million constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance not available for new spending because it is; (1) not in spendable form (\$277,648); (2) restricted for specific purposes (approximately \$2.9 million); or (3) assigned to specific purposes (\$299,419).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2018 and 2017.

	<u>Fund Balance June 30, 2018</u>	<u>Fund Balance June 30, 2017</u>	<u>Increase (Decrease)</u>
General Fund	\$ 9,518,723	\$ 8,166,640	\$ 1,352,083
Bond Retirement Fund	1,101,825	968,300	133,525
Other Governmental Funds	1,809,312	2,047,933	(238,621)
Total	<u>\$ 12,429,860</u>	<u>\$ 11,182,873</u>	<u>\$ 1,246,987</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$8.9 million, while total fund balance was approximately \$9.5 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 47% of total general fund expenditures and total fund balance represents 50% of that same amount.

The District's Bond Retirement Fund balance increased by \$133,525 during the current fiscal year. This increase represents the amount in which property taxes and related revenues exceeded debt service payments during the fiscal year.

Fund balance in the District's Other Governmental Funds decreased \$238,621 in comparison with the prior fiscal year-end. A significant portion of this decrease is the result of an increase in expenditures related to the pavement surfacing and reconstruction at Licking Valley Elementary School and the bus garage building expansion.



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Budgetary Highlights**

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

Final estimated receipts and other financing sources were approximately \$20.4 million, while final actual receipts and other financing sources were also approximately \$20.4 million, for a variance of \$6,949.

Final expenditures and other financing uses were budgeted at approximately \$20.5 million while final actual expenditures and other financing uses were approximately \$19.9 million, for a variance of \$586,969. This variance is primarily due to a conservative "worst case scenario" approach to budgeting. The District over-allocates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

*Capital Assets*

At fiscal year-end, the District's capital assets (net of accumulated depreciation) were approximately \$33.9 million, a decrease of \$668,602 in comparison with the prior fiscal year. This decrease represents the amount by which current year depreciation (approximately \$2.0 million) exceeded current year additions (approximately \$1.3 million). For further information regarding the District's capital assets, see Note 9 to the basic financial statements.

*Debt*

At June 30, 2018, the District had approximately \$8.7 million in general obligation bonds and other related debt outstanding, a decrease of approximately \$1.1 million during the fiscal year. This decrease represents current year debt service (approximately \$1.1 million) and amortization of bond premiums (\$33,995).

Section 133.06 of the Revised Code provides that, exclusive of certain "exempt debt," the net principal amount of unvoted general obligation debt of a District may not exceed one-tenth (0.10%) of one percent of the total assessed property value listed within the District. Section 133.06 also provides that the net principal amount of voted and unvoted general obligation debt of any District may not exceed nine (9.0%) of the total assessed value, except as in the case of a special needs school district. At fiscal year-end, the District complied with both limits.

For further information regarding the District's debt, see Note 14 to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Economic Factors**

The District is holding its own in the state of uncertainty in State funding. Over the past several years, the District has remained in a good financial position. In 1988, the District passed a 7.5 mil-continuing levy. This levy provides a continuous source of funds for the financial operations and stability of the District.

The District also passed a 1.0% Continuous Income Tax levy for operating in 1993 and returned 5 mills of the 1988 levy back to the taxpayers. This generates approximately \$2.6 million additional revenue to be used for operational expenses of the District. The District has operated for 25 years without asking the taxpayers for more operational dollars.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jo Lynn Torbert, Treasurer, Licking Valley Local School District, 1379 Licking Valley Road NE, Newark, Ohio 43055.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018

	Governmental Activities
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 12,216,205
Property Taxes Receivable	6,224,610
Income Taxes Receivable	1,044,139
Intergovernmental Receivable	124,649
Accounts Receivable	75,285
Materials and Supplies Inventory	10,467
Prepaid Items	277,648
Non-Depreciable Capital Assets	733,300
Depreciable Capital Assets, Net	33,215,179
<b>Total Assets</b>	<b>53,921,482</b>
 <b>Deferred Outflows of Resources</b>	
Pension	7,416,679
OPEB	241,042
<b>Total Deferred Outflows of Resources</b>	<b>7,657,721</b>
 <b>Liabilities:</b>	
Accounts Payable	95,181
Accrued Wages and Benefits	1,562,908
Intergovernmental Payable	275,492
Accrued Interest Payable	19,153
Long-Term Liabilities:	
Due within One Year	1,602,154
Due in More Than One Year:	
Net Pension Liability	24,093,906
Net OPEB Liability	5,541,217
Other Amounts Due in More Than One Year	8,856,639
<b>Total Liabilities</b>	<b>42,046,650</b>
 <b>Deferred Inflows of Resources:</b>	
Property Taxes	5,150,310
Pension	1,052,824
OPEB	680,391
Deferred Amount on Refunding	72,095
<b>Total Deferred Inflows of Resources</b>	<b>6,955,620</b>
 <b>Net Position:</b>	
Net Investment in Capital Assets	25,095,781
Restricted for:	
Debt Service	1,118,241
Permanent Improvement	1,297,869
Food Services	338,558
Classroom Facilities Maintenance	48,144
Extracurricular Activities	123,344
Other Purposes	10,765
Unrestricted	(15,455,769)
<b>Total Net Position</b>	<b>\$ 12,576,933</b>

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 4,091,339	\$ 1,255,461	\$ 61,739	\$ (2,774,139)
Special	1,099,631	334,201	619,589	(145,841)
Vocational	(280,175)	57,661	70,553	408,389
Other	317,058	48,103	-	(268,955)
Support Services				
Pupils	191,439	-	-	(191,439)
Instructional Staff	27,121	-	-	(27,121)
Board of Education	43,928	-	-	(43,928)
Administration	1,754,710	123,830	80,363	(1,550,517)
Fiscal	479,454	-	-	(479,454)
Business	85,878	-	-	(85,878)
Operation and Maintenance of Plant	2,027,291	-	75,498	(1,951,793)
Pupil Transportation	1,176,694	-	-	(1,176,694)
Central	268,966	-	-	(268,966)
Non-instructional Services	958,093	389,611	636,091	67,609
Extra Curricular Activities	810,285	361,078	36,654	(412,553)
Interest and Fiscal Charges	215,628	-	-	(215,628)
<b>Total Governmental Activities</b>	<b>\$ 13,267,340</b>	<b>\$ 2,569,945</b>	<b>\$ 1,580,487</b>	<b>\$ (9,116,908)</b>
General Revenues:				
Property Taxes Levied for:				
				\$ 5,018,973
				961,455
				424,255
				2,557,170
				11,321,262
				131,768
				245,481
				<u>20,660,364</u>
				11,543,456
				1,033,477
				<u>\$ 12,576,933</u>

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2018

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 9,453,811	\$ 966,265	\$ 1,796,129	\$ 12,216,205
Property Taxes Receivable	5,030,149	955,569	238,892	6,224,610
Income Taxes Receivable	1,044,139	-	-	1,044,139
Intergovernmental Receivable	-	-	124,649	124,649
Accounts Receivable	74,221	-	1,064	75,285
Material and Supplies Inventory	-	-	10,467	10,467
Prepaid Items	274,794	-	2,854	277,648
Interfund Receivable	28,466	-	-	28,466
<b>Total Assets</b>	<b>\$ 15,905,580</b>	<b>\$ 1,921,834</b>	<b>\$ 2,174,055</b>	<b>\$ 20,001,469</b>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable	\$ 89,188	\$ -	\$ 5,993	\$ 95,181
Accrued Wages and Benefits	1,450,085	-	112,823	1,562,908
Intergovernmental Payable	263,333	-	12,159	275,492
Compensated Absences Payable	47,751	-	300	48,051
Interfund Payable	-	-	28,466	28,466
<b>Total Liabilities</b>	<b>1,850,357</b>	<b>-</b>	<b>159,741</b>	<b>2,010,098</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	4,169,760	784,440	196,110	5,150,310
Unavailable Revenue	366,740	35,569	8,892	411,201
<b>Total Deferred Inflows of Resources</b>	<b>4,536,500</b>	<b>820,009</b>	<b>205,002</b>	<b>5,561,511</b>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid Items	274,794	-	2,854	277,648
Restricted for:				
Debt Service	-	1,101,825	-	1,101,825
Permanent Improvement	-	-	1,288,977	1,288,977
Food Services	-	-	335,704	335,704
Classroom Facilities Maintenance	-	-	48,144	48,144
Extracurricular Activities	-	-	123,344	123,344
Other Purposes	-	-	10,765	10,765
Assigned to:				
Public School Support	54,800	-	-	54,800
Instruction Services	49,161	-	-	49,161
Support Services	160,171	-	-	160,171
Permanent Improvements	35,287	-	-	35,287
Unassigned	8,944,510	-	(476)	8,944,034
<b>Total Fund Balances</b>	<b>9,518,723</b>	<b>1,101,825</b>	<b>1,809,312</b>	<b>12,429,860</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 15,905,580</b>	<b>\$ 1,921,834</b>	<b>\$ 2,174,055</b>	<b>\$ 20,001,469</b>

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

<b>Total Governmental Fund Balances</b>	\$	12,429,860
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*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.		33,948,479
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.

Property Taxes Receivable		224,610
Income Taxes Receivable		186,591

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable		(7,230,000)
Lease-Purchase Agreement		(1,199,054)
Bond Premium		(254,963)
Deferred Amount on Refunding		(72,095)
Accrued Interest Payable		(19,153)
Compensated Absence Payable		(1,375,176)
Capital Leases Payable		(351,549)

The net pension liability is 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		7,416,679
Deferred Outflows - OPEB		241,042
Deferred Inflows - Pension		(1,052,824)
Deferred Inflows - OPEB		(680,391)
Net Pension Liability		(24,093,906)
Net OPEB Liability		(5,541,217)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>12,576,933</b>
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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 5,042,129	\$ 967,457	\$ 425,261	\$ 6,434,847
Income Taxes	2,521,740	-	-	2,521,740
Intergovernmental	11,261,897	129,918	1,473,280	12,865,095
Interest	116,016	-	15,752	131,768
Tuition and Fees	1,618,032	-	-	1,618,032
Extracurricular Activities	160	-	355,756	355,916
Customer Sales and Services	76,342	-	389,611	465,953
Donations and Contributions	56,912	-	46,447	103,359
All Other Revenue	246,644	-	6,374	253,018
<b>Total Revenues</b>	<b>20,939,872</b>	<b>1,097,375</b>	<b>2,712,481</b>	<b>24,749,728</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,268,013	-	61,739	8,329,752
Special	1,699,589	-	631,096	2,330,685
Vocational	380,052	-	-	380,052
Other	317,058	-	-	317,058
Support services:				
Pupils	668,415	-	-	668,415
Instructional Staff	452,501	-	-	452,501
Board of Education	43,659	-	-	43,659
Administration	2,274,416	-	80,365	2,354,781
Fiscal	521,752	-	-	521,752
Business	42,270	-	-	42,270
Operation and Maintenance of Plant	2,131,839	-	99,766	2,231,605
Pupil Transportation	1,149,176	-	-	1,149,176
Central	266,206	-	-	266,206
Non-instructional Services	810	-	1,004,887	1,005,697
Extracurricular Activities	289,572	-	355,872	645,444
Capital Outlay	121,626	-	1,127,125	1,248,751
Debt service:				
Principal	401,112	775,000	133,491	1,309,603
Interest and Fiscal Charges	26,996	188,850	45,290	261,136
<b>Total Expenditures</b>	<b>19,055,062</b>	<b>963,850</b>	<b>3,539,631</b>	<b>23,558,543</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,884,810	133,525	(827,150)	1,191,185
<b>Other Financing Sources (Uses):</b>				
Insurance Proceeds	55,802	-	-	55,802
Transfers In	-	-	588,529	588,529
Transfers Out	(588,529)	-	-	(588,529)
<b>Total Other Financing Sources (Uses)</b>	<b>(532,727)</b>	<b>-</b>	<b>588,529</b>	<b>55,802</b>
<b>Net Change in Fund Balances</b>	<b>1,352,083</b>	<b>133,525</b>	<b>(238,621)</b>	<b>1,246,987</b>
Fund Balance Beginning of Year	8,166,640	968,300	2,047,933	11,182,873
<b>Fund Balance End of Year</b>	<b>\$ 9,518,723</b>	<b>\$ 1,101,825</b>	<b>\$ 1,809,312</b>	<b>\$ 12,429,860</b>

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,246,987

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	1,288,983
Depreciation	(1,957,585)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(30,164)
Income Taxes	35,430

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

1,610,618

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

7,386,977

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

815,280

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, leases and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal Repayments	1,309,603
Amortization of Deferred Amount on Refunding	9,613
Amortization of Bond Premium	33,995

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated Absences	(208,181)
Accrued Interest	1,900

**Change in Net Position of Governmental Activities** \$ 11,543,456



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 4,227,896	\$ 4,618,100	\$ 4,617,159	\$ (941)
Income Taxes	2,524,000	2,524,000	2,523,824	(176)
Intergovernmental	10,659,164	11,264,800	11,261,897	(2,903)
Interest	116,500	116,500	116,016	(484)
Tuition and Fees	1,618,875	1,618,875	1,617,149	(1,726)
Customer Sales and Services	76,342	76,342	76,342	-
Donations and Contributions	45,800	45,800	45,390	(410)
Miscellaneous	116,958	116,958	116,747	(211)
<b>Total Revenues</b>	<b>19,385,535</b>	<b>20,381,375</b>	<b>20,374,524</b>	<b>(6,851)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,389,457	8,345,619	8,260,302	85,317
Special	1,751,320	1,738,469	1,721,650	16,819
Vocational	407,500	358,585	356,962	1,623
Other	475,000	317,781	317,058	723
<b>Support Services:</b>				
Pupils	704,095	679,305	666,268	13,037
Instructional Staff	486,295	457,100	453,660	3,440
Board of Education	48,941	84,862	73,814	11,048
Administration	2,124,545	2,211,751	2,169,961	41,790
Fiscal	583,787	584,199	538,392	45,807
Business	130,000	106,864	105,679	1,185
Operation and Maintenance of Plant	2,295,553	2,654,821	2,379,480	275,341
Pupil Transportation	1,532,138	1,356,955	1,338,286	18,669
Central	376,516	295,673	266,576	29,097
Non-instructional Services	1,000	815	810	5
Extracurricular Activities	295,625	289,235	287,734	1,501
Capital Outlay	412,000	198,480	156,913	41,567
<b>Debt Service:</b>				
Principal	190,000	190,000	190,000	-
Interest and Fiscal Charges	6,645	6,630	6,630	-
<b>Total Expenditures</b>	<b>20,210,417</b>	<b>19,877,144</b>	<b>19,290,175</b>	<b>586,969</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(824,882)</b>	<b>504,231</b>	<b>1,084,349</b>	<b>580,118</b>
<b>Other Financing Sources (Uses):</b>				
Insurance Proceeds	55,900	55,900	55,802	(98)
Transfers Out	(588,529)	(588,529)	(588,529)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(532,629)</b>	<b>(532,629)</b>	<b>(532,727)</b>	<b>(98)</b>
<b>Net Change in Fund Balance</b>	<b>(1,357,511)</b>	<b>(28,398)</b>	<b>551,622</b>	<b>580,020</b>
Fund Balances at Beginning of Year	8,112,935	8,112,935	8,112,935	-
Prior Year Encumbrances Appropriated	429,447	429,447	429,447	-
<b>Fund Balances at End of Year</b>	<b>\$ 7,184,871</b>	<b>\$ 8,513,984</b>	<b>\$ 9,094,004</b>	<b>\$ 580,020</b>

See accompanying notes to the basic financial statements.

LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY

STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
AS OF JUNE 30, 2018

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 43,763
Total Assets	<u>43,763</u>
<b>Liabilities</b>	
Undistributed Monies	42,084
Accounts Payable	1,679
Total Liabilities	<u>\$ 43,763</u>

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

The Licking Valley Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Madison and Hanover Townships. It is staffed by 113 non-certificated employees and 137 certificated full-time teaching personnel who provide services to 1,947 students and other community members. The District currently operates 3 instructional buildings.

Reporting Entity:

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

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

The District is associated with five organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Career and Technology Education Centers of Licking County, the Central Ohio Special Education Regional Resource Center, the Metropolitan Educational Technology Association, the Coalition for Equity & Adequacy of School Funding, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The General Fund and Bond Retirement Fund are the District's major governmental funds:

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

The other governmental funds of the District account for grants and other resources, whose uses are restricted to a particular purpose, and capital projects of the District.

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of 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 deferred outflows of resources 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 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 and governmental fund statements.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement 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) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pensions and other post-employment benefits (OPEB). The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statement of financial position will sometimes 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 so will not be recognized until that time. For the District, deferred inflows of resources include property taxes, deferred amount on refunding, unavailable revenue, pension, and OPEB.

Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental funds balance sheet.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A deferred amount on refunding is reported on the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the availability period. For the District, unavailable revenue includes delinquent property taxes and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 11 and 12).

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

**E. Budgetary Process**

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

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Allocation of cost, such as depreciation, is not recognized in governmental funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Cash and Cash Equivalents" on the financial statements.

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund and Other Governmental Funds during the fiscal year amounted to \$116,016 and \$15,752, respectively. Of the amount reported in the General Fund, \$16,714 was assigned from other District funds.

For presentation on the financial statements, 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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond fiscal year-end, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At fiscal year-end, because prepaid items are not available to finance future governmental fund expenditures, a portion of fund balance equal to the carrying value of the asset has been reported as nonspendable.

**H. Inventory**

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

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when consumed. Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation.



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets**

General capital assets are those assets not specifically related to activities. 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District's capitalization threshold is five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	15 - 30 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**K. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net position, except for any net residual amounts due between governmental activities, which are presented as internal balances.

**L. Compensated Absences**

Vacation benefits and personal leave 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 District will compensate the employees for benefits through paid time off or some other means. The District records a liability for accumulated unused vacation and personal leave time when earned for all employees.

Compensated absence 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 District has identified as probable of receiving payment in the future. The amount is based on the accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District records a liability for accumulated unused sick leave for all employees after twenty years of service, all employees with 15 years of service and are at least 45 years old, and all employees who have 5 or more years of service and are at least 50 years old.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities 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 "compensated absences payable" in the funds from which these payments will be made.

The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy.

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

**N. Bond Premiums, Bond Discounts and Issuance Costs**

In the Government-wide financial statements, bond premiums and discounts are deferred and amortized over the terms of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are expensed as incurred.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**O. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily consist of unspent bus purchase allowance and special trust funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. At fiscal year-end, the District did not have net position restricted by enabling legislation.

**P. Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

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

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

Committed – The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education.

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which 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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Interfund Transactions**

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

**R. Estimates**

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

**S. Extraordinary and Special Items**

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

**T. 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 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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**3. BUDGETARY BASIS OF ACCOUNTING**

While the 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>
GAAP Basis	\$ 1,352,083
Public Support Fund	(4,254)
Revenue Accruals	(429,996)
Expenditure Accruals	(32,738)
Encumbrances	(333,473)
Budget Basis	\$ 551,622

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, this fund is presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 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 (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 District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, the carrying amount of the District's deposits was \$12,175,450 and the bank balance was \$12,416,024. The entire bank balance was covered by the Federal Depository Insurance Company (FDIC). The District's financial institution was approved for a collateral rate of 50 percent through the Ohio Pooled Collateral System.

The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

At fiscal year-end, the District reported an investment in STAR Ohio totaling \$84,518. In accordance with GASB Statement No. 79, the District's investment in STAR Ohio is reported at amortized cost. For the fiscal year ended June 30, 2018 there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

*Interest Rate Risk* - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase.

*Credit Risk* - STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**4. DEPOSITS AND INVESTMENTS (Continued)**

The following is a reconciliation of deposits and investments to the Statement of Net Position as of fiscal year-end:

Investments (summarized above)	\$ 84,518
Carrying amount of District's deposits	12,175,450
Less: Fiduciary Funds - Cash and Cash Equivalents	<u>(43,763)</u>
Total Governmental Activities - Cash and Cash Equivalents	<u><u>\$ 12,216,205</u></u>

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**5. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2018, was \$680,240 in the General Fund, \$135,560 in the Bond Retirement Debt Service Fund, and \$33,890 in the Permanent Improvement Fund.

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

	<b>2017 Second- Half Collections</b>		<b>2018 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other				
Real Estate	\$ 206,988,560	91%	\$ 227,465,168	90%
Public Utility	21,619,320	9%	25,549,160	10%
Total Assessed Value	<u>\$ 228,607,880</u>	<u>100%</u>	<u>\$ 253,014,328</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 37.67		\$ 37.45	

**6. TAX ABATEMENTS**

Under Community Reinvestment Area (CRA) and other property tax abatements entered into by the City of Newark, the District's property tax revenues were reduced by \$37,239 during the fiscal year. Compensation payments received from the City during the fiscal year totaled \$0.

**7. INCOME TAX**

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1994, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. RECEIVABLES**

Receivables at June 30, 2018, consisted of property and income taxes, accounts, and intergovernmental. Intergovernmental receivables consist of IDEA-B and Title I revenues totaling \$68,354 and \$56,295, respectively. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**9. CAPITAL ASSETS**

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

<b>Asset Class</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
NonDepreciable Capital Assets:				
Land	\$ 733,300	\$ -	\$ -	\$ 733,300
Total Nondepreciable Capital Assets	<u>\$ 733,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 733,300</u>
Depreciable Capital Assets:				
Land Improvements	\$ 5,614,315	\$ 798,743	\$ -	\$ 6,413,058
Building and Building Improvements	48,059,077	410,416	-	48,469,493
Furniture, Fixtures and Equipment	1,469,361	79,824	(8,417)	1,540,768
Vehicles	2,180,933	-	(267,580)	1,913,353
Total Depreciable Capital Assets	<u>57,323,686</u>	<u>1,288,983</u>	<u>(275,997)</u>	<u>58,336,672</u>
Accumulated Depreciation:				
Land Improvements	3,037,577	281,280	-	3,318,857
Building and Building Improvements	18,123,864	1,380,225	-	19,504,089
Furniture, Fixtures and Equipment	792,777	139,530	(8,417)	923,890
Vehicles	1,485,687	156,550	(267,580)	1,374,657
Total Accumulated Depreciation	<u>23,439,905</u>	<u>1,957,585</u>	<u>(275,997)</u>	<u>25,121,493</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 33,883,781</u>	<u>\$ (668,602)</u>	<u>\$ -</u>	<u>\$ 33,215,179</u>

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	1,464,260
Instruction Vocational	19,748
Pupil	795
Administration	21,383
Fiscal	548
Purchasing Services	43,608
Plant Operation	27,865
Pupil Transportation	158,087
Central	44,059
Noninstructional Services	8,660
Extracurricular Activities	168,572
	<u>\$ 1,957,585</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Automobile Liability (per occurrence)	\$0	\$2,000,000
Errors and Omissions		
Per occurrence	2,500	2,000,000
Per year	0	4,000,000
General Liability		
Per occurrence	0	2,000,000
Per year	0	4,000,000

The District did not reduce its coverage during the fiscal year and settled claims have not exceeded this commercial coverage in any of the past three years.

During the fiscal year, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**11. DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

Plan Description – 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](http://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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

The District's contractually required contribution to SERS was \$418,961 for fiscal year 2018. Of this amount \$28,088 is reported as an intergovernmental payable.

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

Plan Description – 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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,126,907 for fiscal year 2018. Of this amount, \$177,511 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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:

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,499,856	\$18,594,050	\$24,093,906
Proportion of the Net Pension Liability - Current Measurement Date	0.0920512%	0.07827355%	
Proportion of the Net Pension Liability - Prior Measurement Date	<u>0.0940808%</u>	<u>0.07900602%</u>	
Change in Proportionate Share	-0.0020296%	-0.0007325%	
Pension Expense	(\$241,043)	(\$7,145,934)	(\$7,386,977)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$236,695	\$718,017	\$954,712
Change of assumptions	284,401	4,066,723	4,351,124
Change in proportionate share	31,212	533,763	564,975
District contributions subsequent to the measurement date	<u>418,961</u>	<u>1,126,907</u>	<u>1,545,868</u>
Total Deferred Outflows of Resources	<u>\$971,269</u>	<u>\$6,445,410</u>	<u>\$7,416,679</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$149,861	\$149,861
Net difference between projected and actual earnings on pension plan investments	26,106	613,626	639,732
Change in proportionate share	<u>91,297</u>	<u>171,934</u>	<u>263,231</u>
Total Deferred Inflows of Resources	<u>\$117,403</u>	<u>\$935,421</u>	<u>\$1,052,824</u>

\$1,545,868 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$199,639	\$995,909	\$1,195,548
2020	305,906	2,042,976	2,348,882
2021	65,791	1,062,356	1,128,147
2022	(136,431)	281,841	145,410
Total	\$434,905	\$4,383,082	\$4,817,987

***Actuarial Assumptions - SERS***

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	7.09
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$7,632,371	\$5,499,856	\$3,713,440

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 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	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017

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

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.

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:

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	1.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
<b>Total</b>	<b>100.00 %</b>	

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$26,653,937	\$18,594,050	\$11,804,802

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

***Changes Between Measurement Date and Report Date*** The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

***Benefit Term Changes Since the Prior Measurement Date*** Effective July 1, 2017, the Cost of Living Adjustment was reduced to zero.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2018, no members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**12. DEFINED BENEFIT OPEB PLANS**

**A. School Employees Retirement System**

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

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. DEFINED BENEFIT OPEB PLANS (Continued)**

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 due to other governments on both the accrual and modified accrual bases of accounting.

***Plan Description – School Employees Retirement System (SERS)***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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, 0.50 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$49,233.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. DEFINED BENEFIT OPEB PLANS (Continued)**

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$64,750 for fiscal year 2018. Of this amount \$49,817 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](http://www.strsoh.org) or by calling (888) 227-7877.

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

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	\$2,487,272	\$3,053,945	\$5,541,217
Proportion of the Net OPEB Liability - Current Measurement Date	0.0926794%	0.07827355%	
Proportion of the Net OPEB Liability - Prior Measurement Date	0.0941093%	0.07900602%	
Change in Proportionate Share	-0.0014299%	-0.0007325%	
OPEB Expense	\$124,453	(\$939,733)	(\$815,280)

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. DEFINED BENEFIT OPEB PLANS (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$176,292	\$176,292
District contributions subsequent to the measurement date	<u>64,750</u>	<u>0</u>	<u>64,750</u>
Total Deferred Outflows of Resources	<u>\$64,750</u>	<u>\$176,292</u>	<u>\$241,042</u>
<b>Deferred Inflows of Resources</b>			
Changes of assumptions	\$236,029	\$246,005	\$482,034
Net difference between projected and actual earnings on pension plan investments	6,568	130,533	137,101
Change in proportionate share	<u>29,918</u>	<u>31,338</u>	<u>61,256</u>
Total Deferred Inflows of Resources	<u>\$272,515</u>	<u>\$407,876</u>	<u>\$680,391</u>

\$64,750 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$98,000)	(\$57,895)	(\$155,895)
2020	(98,000)	(57,895)	(155,895)
2021	(98,000)	(57,895)	(155,895)
2022	21,485	(57,899)	(36,414)
Total	<u>(\$272,515)</u>	<u>(\$231,584)</u>	<u>(\$504,099)</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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. DEFINED BENEFIT OPEB PLANS (Continued)**

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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:	3.63 percent
Measurement Date	2.98 percent
Prior Measurement Date	
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.



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. DEFINED BENEFIT OPEB PLANS (Continued)**

These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. DEFINED BENEFIT OPEB PLANS (Continued)**

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.50 percent decreasing to 4.00 percent) and higher (8.50 percent decreasing to 6.00 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$3,003,697	\$2,487,272	\$2,078,131

  

	1% Decrease (6.50% decreasing to 4.00%)	Current Discount Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
District's proportionate share of the net OPEB liability	\$2,018,235	\$2,487,272	\$3,108,050

***Actuarial Assumptions – STRS***

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 to 11.00 percent initial, 4.50 percent ultimate

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

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

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10 percent to 1.90 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. DEFINED BENEFIT OPEB PLANS (Continued)**

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

The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$4,099,872	\$3,053,945	\$2,227,321

  

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$2,121,750	\$3,053,945	\$4,280,823

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**13. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service.

Accumulated, unused vacation time is paid to classified employees and the superintendent upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 280 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 51 days for all employees.

Employees receive 3 personal days per year. Upon retirement, payment is made for one-fourth of accrued, but unused personal leave.

Bargaining unit members, who retire under STRS criteria, may receive a retirement incentive payment of fifteen thousand dollars (\$15,000). In order to qualify for this benefit, the bargaining unit member must give written notice to the Superintendent on or before April 1 (or Monday following if April 1 is on a weekend) of the year of retirement and have 30 or fewer years.

**B. Life Insurance**

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

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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**14. LONG-TERM OBLIGATIONS**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2012 Lease-Purchase Agreement	1,332,545	-	(133,491)	1,199,054	133,491
2012B Refunding Bonds	580,000	-	(190,000)	390,000	195,000
2015 Refunding Bonds	7,615,000	-	(775,000)	6,840,000	785,000
Serial Bond Premium	288,958	-	(33,995)	254,963	-
Total Bonds and Related Debt	<u>9,816,503</u>	<u>-</u>	<u>(1,132,486)</u>	<u>8,684,017</u>	<u>1,113,491</u>
Net Pension Liability					
STRS	26,445,696	-	(7,851,646)	18,594,050	-
SERS	6,885,846	-	(1,385,990)	5,499,856	-
Total Net Pension Liability	<u>33,331,542</u>	<u>-</u>	<u>(9,237,636)</u>	<u>24,093,906</u>	<u>-</u>
Net OPEB Liability					
STRS	4,225,262	-	(1,171,317)	3,053,945	-
SERS	2,682,464	-	(195,192)	2,487,272	-
Total Net OPEB Liability	<u>6,907,726</u>	<u>-</u>	<u>(1,366,509)</u>	<u>5,541,217</u>	<u>-</u>
Capital Leases	562,661	-	(211,112)	351,549	218,830
Compensated Absences	1,223,789	230,390	(30,952)	1,423,227	269,833
Total	<u>\$ 51,842,221</u>	<u>\$ 230,390</u>	<u>\$ (11,978,695)</u>	<u>\$ 40,093,916</u>	<u>\$ 1,602,154</u>

2005 General Obligation Advance Refunding Bonds

On September 22, 2005, the District issued general obligation bonds totaling \$9,334,989 to advance refund a portion of the 1999 Building Construction Bonds to take advantage of lower interest rates. The refunding bonds consist of serial and capital appreciation bonds. The serial bonds were issued with varying interest rates of 3.0-4.10% and a final maturity of December 1, 2025. The capital appreciation bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Because of this refunding, total debt service payments were reduced by \$1,391,633 for an economic (present value) gain of \$963,949. During fiscal year 2016, the outstanding balance of the serial bonds (\$7,805,000) was currently refunded with the issuance of the General Obligation Refunding Bonds – Series 2015.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**14. LONG-TERM OBLIGATIONS (Continued)**

2012 Lease-Purchase Agreement

On June 15, 2012, the District entered into a series of one-year renewable lease-purchase agreements with Park National Bank (the Bank), whereas the District leases a parcel of land to the Bank, and subsequently constructs school facilities on the land, and the Bank, in turn, subleases the land, and leases the constructed school facilities to the District. The Bank agreed to pre-pay \$2,000,000 in rental payments in order to fund the construction project. In turn, the District agreed to pay \$2,000,000 under the sublease at an interest rate of 3.55%. The final payment to the Bank is due December 1, 2026. The lease-purchase agreement is paid from the permanent improvement fund.

General Obligation Advance Refunding Bonds – Series 2012B

The General Obligation Advance Refunding Bonds are dated September 18, 2012 and were issued in the amount of \$975,000 with a stated interest rate of 1.37% and a final maturity date of December 1, 2019. The General Obligation Advance Refunding Bonds were issued to refund a portion of the 2004 School Facilities Construction Bonds. This refunding was undertaken to take advantage of lower interest rates. Defeased bonds outstanding at fiscal year-end were \$0. The 2012B refunding bonds are paid from the general fund.

General Obligation Refunding Bonds – Series 2015

On September 3, 2015, the District issued general obligation bonds totaling \$7,755,000 to refund a portion of the Series 2005 Refunding Bonds and take advantage of lower interest rates. The refunding bonds consist entirely of serial bonds with stated interest rates ranging from 2% to 3% and a final maturity date of December 1, 2025. This refunding resulted in cash flow savings of \$825,763 and an economic gain of \$748,054. Defeased bonds outstanding at fiscal year-end were \$0. The 2015 refunding bonds are paid from the debt service fund.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,113,491	\$ 218,019	\$ 1,331,510
2020	1,133,491	194,735	1,328,226
2021	953,491	172,252	1,125,743
2022	968,491	146,723	1,115,214
2023	993,491	116,493	1,109,984
2024-2027	3,266,599	162,929	3,429,528
Total	<u>\$ 8,429,054</u>	<u>\$ 1,011,151</u>	<u>\$ 9,440,205</u>

Capital leases are paid from the General Fund. The District pays obligations related to compensated absences from the fund benefiting from their service, which includes the general fund, food service fund and various other state and federal grant 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 fund benefiting from the employee's service. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**14. LONG-TERM OBLIGATIONS (Continued)**

Section 133.06 of the Revised Code provides that, exclusive of certain “exempt debt,” the net principal amount of unvoted general obligation debt of a District may not exceed one-tenth (0.10%) of one percent of the total assessed property value listed within the District. Section 133.06 also provides that the net principal amount of voted and unvoted general obligation debt of any District may not exceed nine (9.0%) of the total assessed value, except as in the case of a special needs school district. As such, the District's voted and unvoted legal debt limits are \$14,087,273 and \$253,014, respectively. At fiscal year-end, the District complied with both limits.

**15. CAPITAL LEASES - LESSEE DISCLOSURE**

The District entered into capitalized leases for copiers and school buses. The leases meet the criteria of a capital lease as defined by Governmental Accounting Standards Board Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The copiers have been capitalized in the amount of \$235,773. The copy machines had accumulated depreciation of \$117,886 as of June 30, 2018. The capitalized amount of the leases represents the present value of the minimum lease payment at the time of acquisition. A corresponding liability is recorded in the statement of net position. Principal payments in fiscal year 2018 totaled \$53,643 in the governmental funds.

The school buses have been capitalized in the amount of \$1,039,157. The buses had accumulated depreciation of \$648,397 as of June 30, 2018. The capitalized amount of the leases represents the present value of the minimum lease payment at the time of acquisition. A corresponding liability is recorded in the statement of net position. Principal payments in fiscal year 2018 totaled \$157,469 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 218,830	\$ 12,648
2020	96,383	3,700
2021	36,336	653
Totals	<u>\$ 351,549</u>	<u>\$ 17,001</u>

**16. CAPITAL ACQUISITION SET-ASIDE CALCULATIONS**

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**16. CAPITAL ACQUISITION SET-ASIDE CALCULATIONS (Continued)**

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

	Capital Acquisition
Set-aside cash balance as of June 30, 2017	\$ -
Current fiscal year set-aside requirement	366,903
Current Year Offsets	(366,903)
Set-aside cash balance as of June 30, 2018	\$ -
Set-aside balance carried forward to FY 2019	\$ -

The District had qualifying disbursements and current year offsets that would have reduced the fiscal year-end balance below zero; however, since negative amounts may not be used to reduce the set-aside requirement in future years, the current year offset amount was limited to an amount necessary to reduce the fiscal year-end balance to zero.

**17. JOINTLY GOVERNED ORGANIZATIONS**

The Career and Technology Education Centers of Licking County is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 9 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Career and Technology Education Centers of Licking County at 150 Price Road, Newark, Ohio 43055.

The District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization. The organization is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 37 counties in Central Ohio. The META helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of META is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to META to cover the costs of administering the program. The District's membership payment to META for fiscal year 2018 was \$540. Financial information may be obtained from the Metropolitan Educational Technology Association, Dave Varda, who serves as Chief Financial Officer, at 2100 Citygate Dr., Columbus, OH 43219.

The Central Ohio Special Education Regional Resource Center (COSERRC) is one of sixteen (16) centers in Ohio, which serves as the organizational structure offering multi-district special educational services. Each SERRC is designed to initiate, expand, and improve the delivery of special education services to children with disabilities ages 3 through 21. The governing board of COSERRC consists of superintendents or a designated representative from each school district. Financial information may be obtained from the Educational Service Center of Central Ohio at 2080 Citygate Drive, Columbus, Ohio, 43219.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The Coalition for Equity & Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The mission of the Coalition is to secure high quality educational opportunities for all Ohio school children without diminishing opportunities for students who reside in high capacity districts. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members and administrators also serve. Several persons serve as *ex officio* members. Steering Committee members serve without stipend or expense reimbursement from the Coalition. Financial information may be obtained from the Coalition for Equity & Adequacy of School Funding, 100 South Third Street, Columbus, Ohio 43215, by calling (614) 228-6540, or email to [ohioeanda@sbcglobal.net](mailto:ohioeanda@sbcglobal.net).

**18. INSURANCE PURCHASING POOL**

Ohio School Boards Association Workers' Compensation Group Rating Plan - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**19. CONTINGENCIES**

**A. Grants**

The 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 District at June 30, 2018, if applicable, cannot be determined at this time.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**19. CONTINGENCIES (Continued)**

**B. Litigation**

There are currently no matters in litigation with the District as defendant.

**C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District. As a result of the fiscal year 2018 reviews, the District is due \$33,912 from ODE. This amount has not been included in the financial statements.

**20. INTERFUND TRANSACTIONS**

Interfund balances at fiscal year-end consist of the following:

<b>Payable</b>	<b>Receivable General Fund</b>
Other Governmental Funds:	
IDEA-B	\$ 16,082
Title I	12,384
Total Interfund Receivable/Payable	\$ 28,466

The amounts due to the General Fund are the result of the time lag between federal grant expenditures and the subsequent receipt of grant reimbursements. The General Fund will be reimbursed when the funds become available.

Interfund transfers during the fiscal year consisted of transfers from the General Fund to Other Governmental Funds, totaling \$588,529. Of this amount, \$500,000 was transferred to fund permanent improvements. The remaining \$88,529 was transferred to fund classroom facilities maintenance, as required by the school facilities construction project. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**21. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year ending June 30, 2018, the District has implemented the following:

*GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**21. CHANGES IN ACCOUNTING PRINCIPLES (Continued)**

The implementation of this statement had the following effect on net position as reported June 30, 2017:

	Governmental Activities
Net Position June 30, 2017	\$ 7,894,073
Adjustments:	
Net OPEB Liability	(6,907,726)
Deferred Outflows - Payments Subsequent to Measurement Date	47,130
Restated Net Position June 30, 2017	\$ 1,033,477

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

Other GASB Statements implemented in fiscal year 2018 are as follows:

*GASB Statement No. 85 "Omnibus 2017"* addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the District.

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

**22. RELATED PARTY TRANSACTIONS**

A District Board member is related to the owner of Shumaker Construction, Ltd from which the District awarded a construction bid for work performed on the District bus garages during fiscal year 2018. The District Board member abstained from voting on this contract. The District paid \$317,366 to Shumaker Construction, Ltd during fiscal year 2018.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST FIVE FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.0920512%	0.0940808%	0.093139%	0.092780%	0.092780%
District's Proportionate Share of the Net Pension Liability	\$ 5,499,856	\$ 6,885,846	\$ 5,314,602	\$ 4,695,543	\$ 5,517,329
District's Covered Payroll	\$ 2,917,579	\$ 2,902,979	\$ 2,826,257	\$ 2,648,143	\$ 2,680,875
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.51%	237.20%	188.04%	177.31%	205.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST FIVE FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.07827355%	0.07900602%	0.0768871%	0.07540074%	0.07540074%
District's Proportionate Share of the Net Pension Liability	\$ 18,594,050	\$ 26,445,696	\$ 21,249,345	\$ 18,340,069	\$ 21,846,571
District's Covered Payroll	\$ 7,776,929	\$ 7,538,336	\$ 7,224,098	\$ 7,067,136	\$ 7,132,003
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	239.09%	350.82%	294.15%	259.51%	306.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 418,961	\$ 408,461	\$ 406,417	\$ 372,501
Contributions in Relation to the Contractually Required Contribution	\$ 418,961	\$ 408,461	\$ 406,417	\$ 372,501
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,103,418	\$ 2,917,579	\$ 2,902,979	\$ 2,826,257
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%

See accompanying notes to the required supplementary information.



<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 367,033	\$ 371,033	\$ 358,813	\$ 325,216	\$ 348,310	\$ 424,426
\$ 367,033	\$ 371,033	\$ 358,813	\$ 325,216	\$ 348,310	\$ 424,426
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,648,143	\$ 2,680,875	\$ 2,667,754	\$ 2,587,239	\$ 2,572,452	\$ 4,313,272
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,126,907	\$ 1,088,770	\$ 1,055,367	\$ 1,011,374
Contributions in Relation to the Contractually Required Contribution	\$ 1,126,907	\$ 1,088,770	\$ 1,055,367	\$ 1,011,374
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,049,332	\$ 7,776,929	\$ 7,538,336	\$ 7,224,098
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 918,728	\$ 927,160	\$ 895,953	\$ 801,699	\$ 1,012,744	\$ 968,921
\$ 918,728	\$ 927,160	\$ 895,953	\$ 801,699	\$ 1,012,744	\$ 968,921
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 7,067,136	\$ 7,132,003	\$ 6,891,949	\$ 6,166,915	\$ 7,790,338	\$ 7,453,238
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST TWO FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.0926794%	0.0941093%
District's Proportionate Share of the Net OPEB Liability	\$ 2,487,272	\$ 2,682,464
District's Covered Payroll	\$ 2,917,579	\$ 2,902,979
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.25%	92.40%
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 District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST TWO FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.07827355%	0.07900602%
District's Proportionate Share of the Net OPEB Liability	\$ 3,053,945	\$ 4,225,262
District's Covered Payroll	\$ 7,776,929	\$ 7,538,336
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.27%	56.05%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	75.30%	66.80%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (1)	\$ 64,750	\$ 47,130	\$ 44,820	\$ 68,281
Contributions in Relation to the Contractually Required Contribution	\$ 64,750	\$ 47,130	\$ 44,820	\$ 68,281
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,103,418	\$ 2,917,579	\$ 2,902,979	\$ 2,826,257
Contributions as a Percentage of Covered Payroll (1)	2.09%	1.62%	1.54%	2.42%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 47,736	\$ 49,341	\$ 53,149	\$ 74,792	\$ 50,681	\$ 147,521
\$ 47,736	\$ 49,341	\$ 53,149	\$ 74,792	\$ 50,681	\$ 147,521
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,648,143	\$ 2,680,875	\$ 2,667,754	\$ 2,587,239	\$ 2,572,452	\$ 4,313,272
1.80%	1.84%	1.99%	2.89%	1.97%	3.42%

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,049,332	\$ 7,776,929	\$ 7,538,336	\$ 7,224,098
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.



<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 70,671	\$ 71,320	\$ 62,202	\$ 61,819	\$ 72,339	\$ 69,209
\$ 70,671	\$ 71,320	\$ 62,202	\$ 61,819	\$ 72,339	\$ 69,209
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 7,067,136	\$ 7,132,003	\$ 6,891,949	\$ 6,166,915	\$ 7,790,338	\$ 7,453,238
1.00%	1.00%	0.90%	1.00%	0.93%	0.93%

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018

**Net Pension Liability**

**School Employees Retirement System**

*Changes in benefit terms:*

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

*Changes in assumptions:*

There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal year 2018.

**State Teachers Retirement System**

*Changes in benefit terms:*

For fiscal year 2018, the COLA was reduced to zero.

*Changes in assumptions:*

For fiscal year 2018, the STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018

**Net OPEB Liability**

**School Employees Retirement System**

*Changes in Assumptions:*

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

**State Teachers Retirement System**

*Changes in Assumptions:*

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.

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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$74,846
Cash Assistance:		
School Breakfast Program	10.553	149,368
National School Lunch Program	10.555	378,323
Cash Assistance Subtotal		<u>527,691</u>
Total Child Nutrition Cluster		<u>602,537</u>
 Fresh Fruit and Vegetable Program	 10.582	 <u>\$25,934</u>
 Total U.S. Department of Agriculture		 <u><b>628,471</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	317,939
Special Education Cluster (IDEA):		
Special Education Grants to States	84.027	<u>385,503</u>
Total Special Education Cluster (IDEA)		385,503
 Improving Teacher Quality State Grants	 84.367	 51,739
Student Support and Academic Enrichment Program	84.424	10,000
Total Passed Through Ohio Department of Education		<u><b>765,181</b></u>
Total U.S. Department of Education		<u><b>765,181</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><u><b>\$1,393,652</b></u></u>

*The accompanying notes are an integral part of this schedule.*

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Licking Valley Local School District (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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

Licking Valley Local School District  
Licking County  
1379 Licking Valley Road NE  
Newark, Ohio 43055

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 Licking Valley Local School District, Licking County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

March 5, 2019



# OHIO AUDITOR OF STATE KEITH FABER



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

Licking Valley Local School District  
Licking County  
1379 Licking Valley Road NE  
Newark, Ohio 43055

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Licking Valley Local School District's, Licking County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Licking Valley Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

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

***Report on Internal Control Over Compliance***

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

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

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

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



Keith Faber  
Auditor of State

Columbus, Ohio

March 5, 2019

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING 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  
MARCH 26, 2019