Rea & associates a brighter way

Tri-Valley Local School District

Muskingum County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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

Board of Education and Management
Tri-Valley Local School District
36 E. Muskingum Avenue
Dresden, Ohio 43821

We have reviewed the *Independent Auditor's Report* of the Tri-Valley Local School District, Muskingum County, prepared by Rea & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 26, 2019

This page intentionally left blank.

Tri-Valley Local School District
Muskingum County, Ohio

June 30, 2019

Table of Contents

Tri-Valley Local School District
Muskingum County, Ohio

June 30, 2019

Table of Contents
(Continued)

October 30, 2019

The Board of Education and Management
Tri-Valley Local School District
Muskingum County, Ohio
36 E. Muskingum Avenue
Dresden, Ohio 43821

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tri-Valley Local School District, Muskingum County, Ohio, (the "School District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tri-Valley Local School District, Muskingum County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, *Schedule of the School District's Proportionate Share of the Net Pension Liability*, *Schedule of School District's Contributions-Pension, Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability*, and *Schedule of School District's Contributions-OPEB* at listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards, as required *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance*)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Zanesville, Ohio

This page intentionally left blank.

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

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position increased $4,986,107. For governmental activities, net position increased $5,031,296, which represents a 25 percent increase from 2018 net position. For business-type activities, net position decreased $45,189.

- Capital assets of governmental activities decreased $2,044,292 during fiscal year 2019.

- Outstanding debt of governmental activities decreased from $13,237,620 to $12,569,706.

Using this Annual Report

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 School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The *Statement of Net Position* and the *Statement of Activities* answer this question. 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 takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, the School District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, extracurricular activities and operation of non-instructional services.

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or the majority of the expenses of the goods or services provided. The School District's Scottie Kid's Club fund is reported as a business-type activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

Proprietary Funds The School District maintains two types of proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's major enterprise fund is the Scottie Kid's Club fund.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

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

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Assets						
Current and Other Assets	$ 32,393,418	$ 28,407,569	$ 3,985,849	$ 17,259	$ 32,175	$ (14,916)
Net OPEB Asset	1,576,695	0	1,576,695	0	0	0
Capital Assets	45,919,947	47,964,239	(2,044,292)	0	0	0
Total Assets	79,890,060	76,371,808	3,518,252	17,259	32,175	(14,916)
Deferred Outflows of Resources						
Pension	7,354,196	8,842,907	(1,488,711)	49,548	72,647	(23,099)
OPEB	421,421	332,904	88,517	19,615	29,126	(9,511)
Total Deferred Outflows of Resources	7,775,617	9,175,811	(1,400,194)	69,163	101,773	(32,610)
Liabilities						
Other Liabilities	3,931,979	4,042,193	(110,214)	7,364	7,313	51
Long-Term Liabilities:						
Due Within One Year	1,054,956	980,642	74,314	0	0	0
Due in More Than One Year:						
Net Pension Liability	28,848,266	30,727,414	(1,879,148)	73,473	78,995	(5,522)
Net OPEB Liability	3,581,346	7,332,963	(3,751,617)	36,175	36,067	108
Other Amounts Due in More Than One Year	13,310,941	13,903,078	(592,137)	0	0	0
Total Liabilities	50,727,488	56,986,290	(6,258,802)	117,012	122,375	(5,363)
Deferred Inflows of Resources						
Property Taxes and Other	6,194,149	5,493,682	700,467	0	0	0
Payment in Lieu of Taxes for the Next Year	324,708	183,201	141,507	0	0	0
Pension	2,216,929	1,737,231	479,698	3,238	904	2,334
OPEB	2,843,235	819,343	2,023,892	4,210	3,518	692
Total Deferred Inflows of Resources	11,579,021	8,233,457	3,345,564	7,448	4,422	3,026
Net Position						
Net Investment in Capital Assets	33,814,170	35,150,905	(1,336,735)	0	0	0
Restricted	6,601,799	6,543,772	58,027	0	0	0
Unrestricted	(15,056,801)	(21,366,805)	6,310,004	(38,038)	7,151	(45,189)
Total Net Position	$ 25,359,168	$ 20,327,872	$ 5,031,296	$ (38,038)	$ 7,151	$ (45,189)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and assets/liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/liability (NOA/NOL) to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these assets/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 asset/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 School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

Governmental Activities

At fiscal year-end, capital assets represented 57 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Net investment in capital assets was $33,814,170 at June 30, 2019. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, $6,601,799, or 26 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit balance of $15,056,801, which is primarily caused by the accounting treatment related to GASB 68 and GASB 75. The decrease in net investment in capital assets is the result of the net decrease in capital assets exceeding debt payments.

Current and other assets increased with the most significant increase being cash and investments as a result of revenues outpacing expenditures. Property tax receivables also increased partially due to an increase in the assessed property tax values for tax year 2018. The decrease in capital assets is due to depreciation exceeding capital purchases in the current fiscal year.

There was a significant change in net pension/OPEB asset/liability for the School District. These fluctuations are due to changes in the retirement systems unfunded liabilities/assets that are passed through to the School District's financial statements All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

Deferred inflows from property taxes increased due to an increase in tax receipts as a result of the 2018 tax year valuation increase.

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

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Revenues						
Program Revenues:						
Charges for Services	$ 3,075,339	$ 3,288,083	$ (212,744)	$ 155,449	$ 150,490	$ 4,959
Operating Grants	3,819,061	3,725,810	93,251	0	0	0
Capital Grants	199,303	13,172	186,131	0	0	0
Total Program Revenues	7,093,703	7,027,065	66,638	155,449	150,490	4,959
General Revenues:						
Property Taxes	11,295,397	12,876,529	(1,581,132)	0	0	0
Grants and Entitlements Not Restricted	17,101,962	17,081,979	19,983	0	0	0
Payments in Lieu of Taxes	262,477	464,822	(202,345)	0	0	0
Other	712,916	363,500	349,416	36	214	(178)
Total General Revenues	29,372,752	30,786,830	(1,414,078)	36	214	(178)
Total Revenues	36,466,455	37,813,895	(1,347,440)	155,485	150,704	4,781
Program Expenses						
Instruction:						
Regular	13,054,488	7,328,877	5,725,611	0	0	0
Special	5,477,454	4,101,677	1,375,777	0	0	0
Vocational	187,923	114,094	73,829	0	0	0
Student Intervention Services	86	458	(372)	0	0	0
Support Services:						
Pupils	654,068	531,533	122,535	0	0	0
Instructional Staff	153,478	160,828	(7,350)	0	0	0
Board of Education	792,161	777,866	14,295	0	0	0
Administration	2,511,492	1,500,261	1,011,231	0	0	0
Fiscal	540,336	495,794	44,542	0	0	0
Operation and Maintenance of Plant	2,928,760	2,822,658	106,102	0	0	0
Pupil Transportation	2,296,923	1,859,423	437,500	0	0	0
Central	465,546	390,723	74,823	0	0	0
Operation of Non-Instructional Services:						
Food Service Operations	1,241,316	1,171,641	69,675	0	0	0
Community Services	51,187	79,412	(28,225)	0	0	0
Extracurricular Activities	680,042	774,223	(94,181)	0	0	0
Debt Service:						
Interest and Fiscal Charges	399,899	345,993	53,906	0	0	0
Scottie Kid's Club	0	0	0	200,674	157,982	42,692
Total Expenses	31,435,159	22,455,461	8,979,698	200,674	157,982	42,692
Increase (Decrease) in Net Position	5,031,296	15,358,434	(10,327,138)	(45,189)	(7,278)	(37,911)
Net Position at Beginning of Year	20,327,872	4,969,438	15,358,434	7,151	14,429	(7,278)
Net Position at End of Year	$ 25,359,168	$ 20,327,872	$ 5,031,296	$ (38,038)	$ 7,151	$ (45,189)

While cash basis property tax collections increased approximately $500,000 or 5 percent, this was entirely offset by the change in the amount available for advance at June 30. The due date for 2nd half 2016 property taxes (paid in 2017) was mid-July, which made the amount collected and available for advance considerably less than 2018 and 2019. On the accrual basis of accounting, this resulted in an unusually significant increase (approximately $2.5 million) in tax revenue being reported in fiscal year 2018.

There was an increase in other revenue during 2019 which was primarily caused by an increase in the interest received on the School District's investments. Fluctuations in instructional and support services expenses were caused by changes in the School District's pension and OPEB accruals as previously discussed.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2019	2018	2019	2018
Instruction:				
Regular	$ 13,054,488	$ 7,328,877	$ 10,858,626	$ 4,992,304
Special	5,477,454	4,101,677	2,613,188	1,225,652
Vocational	187,923	114,094	135,439	60,712
Student Intervention Services	86	458	86	458
Support Services:				
Pupils	654,068	531,533	554,015	455,668
Instructional Staff	153,478	160,828	93,504	158,938
Board of Education	792,161	777,866	792,161	777,866
Administration	2,511,492	1,500,261	2,475,652	1,452,806
Fiscal	540,336	495,794	540,336	495,794
Operation and Maintenance of Plant	2,928,760	2,822,658	2,883,278	2,792,684
Pupil Transportation	2,296,923	1,859,423	2,169,677	1,757,948
Central	465,546	390,723	464,703	389,971
Operation of Non-Instructional Services:				
Food Service Operations	1,241,316	1,171,641	32,846	(45,736)
Community Services	51,187	79,412	49,325	72,661
Extracurricular Activities	680,042	774,223	278,721	494,677
Debt Service:				
Interest and Fiscal Charges	399,899	345,993	399,899	345,993
Total Expenses	$ 31,435,159	$ 22,455,461	$ 24,341,456	$ 15,428,396

The total and net cost of services changes were primarily caused by the changes related to NPL/NOA/NOL, as previously discussed.

The dependence upon general revenues for governmental activities is apparent. Approximately 77 percent of governmental activities are supported through taxes and other general revenues; such revenues are approximately 81 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Business-Type Activities

The School District has one fund reported as a business-type activity. Operations for Scottie Kid's Club, a before and after school child care program, began in fiscal year 2013. The program's net change was a decrease of $45,189 which was caused primarily by a decrease in the allocation of deferred outflows related to GASB 68 and 75 accruals.

Governmental Funds

The School District's major funds accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2019 was an increase of $2,815,091. The most significant cause of the increase was due to revenues exceeding expenditures.

The fund balance of the debt service fund decreased by $136,275, primarily due to the timing of tax revenues and debt payments in accordance with amortization schedules.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Original Budget Compared to Final Budget During the year, there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. The exception was an increase in appropriations for special instruction in the amount of $1,146,000. This increase is due to changes made by the School District in the allocation of certain special education expenditures.

Final Budget Compared to Actual Results A review of actual expenditures compared to the appropriations in the final budget revealed no significant variances with one exception. Actual expenditures for special education were $962,194 less than the related appropriation of $5,960,537, which is the result of the School District not spending as much as expected.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2019 balances compared with 2018.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2019	2018
Land	$ 4,030,096	$ 4,020,160
Construction in Progress	6,400	0
Land Improvements	1,141,100	1,307,609
Buildings and Improvements	39,142,663	40,878,548
Furniture, Fixtures and Equipment	542,363	383,823
Vehicles	1,000,667	1,298,084
Infrastructure	56,658	76,015
Totals	$ 45,919,947	$ 47,964,239

See Note 8 for more information about the capital assets of the School District.

Debt

Table 5 summarizes bonds outstanding. See Note 13 for additional details.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2019	2018
2002 School Improvement Bonds	$ 669,135	$ 1,273,274
2007 Advance Refunding Bonds	555,450	456,007
2016 Current Refunding Bonds	8,821,863	8,906,042
2017 Current Refunding Bonds	2,523,258	2,602,297
Total	$ 12,569,706	$ 13,237,620

Current Issues

The School District has developed a fiscal practice of spending within the limits of available revenues. Beginning in fiscal year 2011, the School District reduced its expenditures in all areas, including staffing, so as to maintain a positive cash position. Those changes, along with continued fiscal monitoring, have helped put the School District in a better financial position for the future. Additional reductions in expenses will be considered in the coming years on an as needed basis. Raising revenues by means of an operating levy will be considered only when all viable reductions have been exhausted.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ryan Smith, Treasurer of Tri-Valley Local School District, 36 E. Muskingum Avenue, Dresden, Ohio, 43821 or email at rsmith@tvschools.org.

This space intentionally left blank.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	$ 19,478,262	$ 17,259	$ 19,495,521
Receivables:			
Intergovernmental	1,100,196	0	1,100,196
Property Taxes	11,490,252	0	11,490,252
Revenue in Lieu of Taxes	324,708	0	324,708
Net OPEB Asset	1,576,695	0	1,576,695
Nondepreciable Capital Assets	4,036,496	0	4,036,496
Depreciable Capital Assets (Net)	41,883,451	0	41,883,451
Total Assets	79,890,060	17,259	79,907,319
Deferred Outflows of Resources			
Pension	7,354,196	49,548	7,403,744
OPEB	421,421	19,615	441,036
Total Deferred Outflows of Resources	7,775,617	69,163	7,844,780
Liabilities			
Accounts Payable	215,940	0	215,940
Accrued Wages and Benefits	3,032,346	6,736	3,039,082
Contracts Payable	21,007	0	21,007
Intergovernmental Payable	457,478	628	458,106
Retainage Payable	23,254	0	23,254
Claims Payable	181,954	0	181,954
Long Term Liabilities:			
Due Within One Year	1,054,956	0	1,054,956
Due in More Than One Year:			
Net Pension Liability (See Note 10)	28,848,266	73,473	28,921,739
Net OPEB Liability (See Note 11)	3,581,346	36,175	3,617,521
Other Amounts Due in More Than One Year	13,310,941	0	13,310,941
Total Liabilities	50,727,488	117,012	50,844,500
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	6,194,149	0	6,194,149
Payment in Lieu of Taxes for the Next Year	324,708	0	324,708
Pension	2,216,929	3,238	2,220,167
OPEB	2,843,235	4,210	2,847,445
Total Deferred Inflows of Resources	11,579,021	7,448	11,586,469
Net Position			
Net Investment in Capital Assets	33,814,170	0	33,814,170
Restricted For:			
Capital Outlay	2,552,625	0	2,552,625
Debt Service	2,273,829	0	2,273,829
State Programs	71,139	0	71,139
Federal Programs	688,472	0	688,472
Classroom Facilities Maintenance	575,791	0	575,791
Other Purposes	439,943	0	439,943
Unrestricted	(15,056,801)	(38,038)	(15,094,839)
Total Net Position	$ 25,359,168	$ (38,038)	$ 25,321,130

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	$ 13,054,488	$ 2,082,786	$ 113,076	$ 0	$ (10,858,626)	$ 0	$ (10,858,626)
Special	5,477,454	258,774	2,605,492	0	(2,613,188)	0	(2,613,188)
Vocational	187,923	0	52,484	0	(135,439)	0	(135,439)
Student Intervention Services	86	0	0	0	(86)	0	(86)
Support Services:							
Pupils	654,068	24,342	75,711	0	(554,015)	0	(554,015)
Instructional Staff	153,478	0	59,974	0	(93,504)	0	(93,504)
Board of Education	792,161	0	0	0	(792,161)	0	(792,161)
Administration	2,511,492	35,840	0	0	(2,475,652)	0	(2,475,652)
Fiscal	540,336	0	0	0	(540,336)	0	(540,336)
Operation and Maintenance of Plant	2,928,760	0	27,749	17,733	(2,883,278)	0	(2,883,278)
Pupil Transportation	2,296,923	0	127,246	0	(2,169,677)	0	(2,169,677)
Central	465,546	843	0	0	(464,703)	0	(464,703)
Operation of Non-Instructional Services:							
Food Service Operations	1,241,316	453,003	755,467	0	(32,846)	0	(32,846)
Community Services	51,187	0	1,862	0	(49,325)	0	(49,325)
Extracurricular Activities	680,042	219,751	0	181,570	(278,721)	0	(278,721)
Debt Service:					0		
Interest and Fiscal Charges	399,899	0	0	0	(399,899)	0	(399,899)
Total Governmental Activities	31,435,159	3,075,339	3,819,061	199,303	(24,341,456)	0	(24,341,456)
Business-Type Activities							
Scottie Kid's Club	200,674	155,449	0	0	0	(45,225)	(45,225)
Total	$ 31,635,833	$ 3,230,788	$ 3,819,061	$ 199,303	(24,341,456)	(45,225)	(24,386,681)
General Revenues							
Property Taxes Levied for:							
General Purposes					10,291,027	0	10,291,027
Debt Service					828,964	0	828,964
Classroom Facilities Maintenance					175,406	0	175,406
Grants and Entitlements Not Restricted to Specific Programs					17,101,962	0	17,101,962
Payments in Lieu of Taxes					262,477	0	262,477
Investment Earnings					361,857	0	361,857
Miscellaneous					351,059	36	351,095
Total General Revenues					29,372,752	36	29,372,788
Change in Net Position					5,031,296	(45,189)	4,986,107
Net Position Beginning of Year					20,327,872	7,151	20,335,023
Net Position End of Year					$ 25,359,168	$ (38,038)	$ 25,321,130

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Balance Sheet
Governmental Funds
June 30, 2019

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	$ 12,406,926	$ 1,895,282	$ 3,756,931	$ 18,059,139
Receivables:				
Interfund	252,414	0	0	252,414
Intergovernmental	2,007	0	1,098,189	1,100,196
Property Taxes	10,478,308	833,516	178,428	11,490,252
Revenue in Lieu of Taxes	56,307	4,690	263,711	324,708
Advances to Other Funds	460,515	0	0	460,515
Total Assets	$ 23,656,477	$ 2,733,488	$ 5,297,259	$ 31,687,224
Liabilities				
Accounts Payable	$ 118,208	$ 0	$ 49,976	$ 168,184
Accrued Wages and Benefits	2,660,591	0	371,755	3,032,346
Contracts Payable	0	0	21,007	21,007
Intergovernmental Payable	434,805	0	22,673	457,478
Retainage Payable	0	0	23,254	23,254
Interfund Payable	0	0	252,414	252,414
Total Liabilities	3,213,604	0	741,079	3,954,683
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	5,652,014	445,834	96,301	6,194,149
Unavailable Revenue	556,218	52,159	1,108,236	1,716,613
Payment in Lieu of Taxes for the Next Year	56,307	4,690	263,711	324,708
Total Deferred Inflows of Resources	6,264,539	502,683	1,468,248	8,235,470
Fund Balances				
Nonspendable	460,515	0	0	460,515
Restricted	0	2,230,805	3,620,592	5,851,397
Committed	11,000	0	0	11,000
Assigned	961,100	0	0	961,100
Unassigned	12,745,719	0	(532,660)	12,213,059
Total Fund Balances	14,178,334	2,230,805	3,087,932	19,497,071
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 23,656,477	$ 2,733,488	$ 5,297,259	$ 31,687,224

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances		$ 19,497,071
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.		45,919,947
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	$ 1,098,034	
Delinquent Property Taxes	618,579	1,716,613
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		728,898
The net pension/OPEB asset/liability is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	1,576,695	
Deferred Outflows - Pension	7,354,196	
Deferred Outflows - OPEB	421,421	
Net Pension Liability	(28,848,266)	
Net OPEB Liability	(3,581,346)	
Deferred Inflows - Pension	(2,216,929)	
Deferred Inflows - OPEB	(2,843,235)	(28,137,464)
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	(11,049,995)	
Bond Premium	(1,014,256)	
Accretion of Interest - Capital Appreciation Bonds	(505,455)	
Compensated Absences	(1,796,191)	(14,365,897)
Net Position of Governmental Activities		$ 25,359,168

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	$ 10,313,259	$ 829,463	$ 177,036	$ 11,319,758
Intergovernmental	18,602,696	113,262	2,039,436	20,755,394
Investment Income	361,857	0	16,465	378,322
Tuition and Fees	2,311,385	0	0	2,311,385
Extracurricular Activities	93,665	0	217,286	310,951
Charges for Services	0	0	453,003	453,003
Contributions and Donations	0	0	190,990	190,990
Payment in Lieu of Taxes	0	0	262,477	262,477
Miscellaneous	336,412	4,694	9,953	351,059
Total Revenues	32,019,274	947,419	3,366,646	36,333,339
Expenditures				
Current:				
Instruction:				
Regular	14,120,419	0	118,350	14,238,769
Special	4,782,784	0	1,047,736	5,830,520
Vocational	151,466	0	3,636	155,102
Student Intervention Services	86	0	0	86
Support Services:				
Pupils	615,431	0	72,452	687,883
Instructional Staff	25,726	0	0	25,726
Board of Education	768,898	15,881	3,459	788,238
Administration	2,701,701	0	0	2,701,701
Fiscal	552,228	0	0	552,228
Operation and Maintenance of Plant	2,725,405	0	392,375	3,117,780
Pupil Transportation	1,971,935	0	81,636	2,053,571
Central	473,893	0	0	473,893
Extracurricular Activities	314,211	0	206,438	520,649
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,200,672	1,200,672
Community Services	0	0	2,049	2,049
Capital Outlay	0	0	312,417	312,417
Debt Service:				
Principal Retirement	0	645,000	0	645,000
Interest and Fiscal Charges	0	422,813	0	422,813
Total Expenditures	29,204,183	1,083,694	3,441,220	33,729,097
Excess of Revenues Over (Under) Expenditures	2,815,091	(136,275)	(74,574)	2,604,242
Net Change in Fund Balance	2,815,091	(136,275)	(74,574)	2,604,242
Fund Balances Beginning of Year	11,363,243	2,367,080	3,162,506	16,892,829
Fund Balances End of Year	$ 14,178,334	$ 2,230,805	$ 3,087,932	$ 19,497,071

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds		$ 2,604,242
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. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	$ 653,282	
Current Year Depreciation	(2,697,574)	(2,044,292)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(24,361)	
Intergovernmental	157,477	133,116
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bond Principal		645,000
In the statement of activities, interest is accrued on outstanding bonds, and bond discount/premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Amortization of Premium on Bonds		122,357
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension	2,193,015	
OPEB	103,547	2,296,562
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension expense in the statement of activities.		
Pension	(2,282,276)	
OPEB	3,289,390	1,007,114
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		516,731
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 governmental funds.		
Compensated Absences		(150,091)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		(99,443)
Change in Net Position of Governmental Activities		$ 5,031,296

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property and Other Local Taxes	$ 9,648,215	$ 9,840,028	$ 9,840,028	$ 0
Intergovernmental	18,665,141	18,720,265	18,689,801	(30,464)
Investment Income	165,000	279,273	306,817	27,544
Tuition and Fees	2,426,363	2,426,363	2,296,013	(130,350)
Extracurricular Activities	24,000	24,000	19,360	(4,640)
Miscellaneous	207,051	238,876	238,876	0
Total Revenues	31,135,770	31,528,805	31,390,895	(137,910)
Expenditures				
Current:				
Instruction:				
Regular	14,661,699	14,664,651	14,465,560	199,091
Special	4,814,537	5,960,537	4,998,343	962,194
Vocational	146,198	153,139	151,315	1,824
Student Intervention Services	2,213	2,213	2,000	213
Support Services:				
Pupils	704,897	704,897	629,911	74,986
Instructional Staff	42,383	39,028	25,921	13,107
Board of Education	829,490	849,490	865,393	(15,903)
Administration	2,755,347	2,775,437	2,694,225	81,212
Fiscal	572,132	573,882	582,409	(8,527)
Operation and Maintenance of Plant	2,731,034	2,872,097	2,855,374	16,723
Pupil Transportation	2,370,474	2,370,474	2,088,225	282,249
Central	519,553	591,617	506,282	85,335
Extracurricular Activities	315,134	317,634	327,047	(9,413)
Total Expenditures	30,465,091	31,875,096	30,192,005	1,683,091
Excess of Revenues Over (Under) Expenditures	670,679	(346,291)	1,198,890	1,545,181
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	10,000	72,910	72,910	0
Advances In	196,170	196,170	196,170	0
Advances Out	(200,093)	(200,093)	(252,414)	(52,321)
Transfers Out	(12,290)	(12,290)	0	12,290
Total Other Financing Sources (Uses)	(6,213)	56,697	16,666	(40,031)
Net Change in Fund Balance	664,466	(289,594)	1,215,556	1,505,150
Fund Balance Beginning of Year	9,117,062	9,117,062	9,117,062	0
Prior Year Encumbrances Appropriated	921,642	921,642	921,642	0
Fund Balance End of Year	$ 10,703,170	$ 9,749,110	$ 11,254,260	$ 1,505,150

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	Enterprise	Governmental Activities
	Scottie Kid's Club Fund	Internal Service Fund
Assets		
Current Assets		
Equity in Pooled Cash and Investments	$ 17,259	$ 1,419,123
Total Assets	17,259	1,419,123
Deferred Outflows of Resources		
Pension	49,548	0
OPEB	19,615	0
Total Deferred Outflows of Resources	69,163	0
Liabilities		
Current Liabilities		
Accounts Payable	0	47,756
Accrued Wages and Benefits	6,736	0
Intergovernmental Payable	628	0
Claims Payable	0	181,954
Total Current Liabilities	7,364	229,710
Long-Term Liabilities		
Net Pension Liability	73,473	0
Net OPEB Liability	36,175	0
Advances from Other Funds	0	460,515
Total Long-Term Liabilities	109,648	460,515
Total Liabilities	117,012	690,225
Deferred Inflows of Resources		
Pension	3,238	0
OPEB	4,210	0
Total Deferred Inflows of Resources	7,448	0
Net Position		
Unrestricted	(38,038)	728,898
Total Net Position	$ (38,038)	$ 728,898

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Enterprise	Governmental Activities
	Scottie Kid's Club Fund	Internal Service Fund
Operating Revenues		
Charges for Services	$ 155,449	$ 4,460,190
Other	36	0
Total Operating Revenues	155,485	4,460,190
Operating Expenses		
Salaries and Wages	128,897	0
Fringe Benefits	53,859	0
Purchased Services	4,467	589,291
Materials and Supplies	13,407	0
Claims	0	3,354,168
Other	44	0
Total Operating Expenses	200,674	3,943,459
Operating Income (Loss)	(45,189)	516,731
Net Position Beginning of Year	7,151	212,167
Net Position End of Year	$ (38,038)	$ 728,898

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Enterprise	Governmental Activities
	Scottie Kid's Club Fund	Internal Service Fund
Cash Flows From Operating Activities		
Cash Received from Customers	$ 155,449	$ 4,460,190
Other Cash Receipts	195	0
Cash Paid for Goods and Services	(17,874)	(589,597)
Cash Paid to Employees for Services and Benefits	(152,472)	0
Cash Paid for Claims	0	(3,356,306)
Net Cash Provided By (Used For) Operating Activities	(14,702)	514,287
Net Increase (Decrease) in Cash and Investments	(14,702)	514,287
Cash and Investments, Beginning of Year	31,961	904,836
Cash and Investments, End of Year	$ 17,259	$ 1,419,123
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities		
Operating Income (Loss)	$ (45,189)	$ 516,731
(Increase) Decrease Assets:		
Accounts Receivable	159	0
Prepaid Items	55	0
Deferred Outflows - Pension	23,099	0
Deferred Outflows - OPEB	9,511	0
Increase (Decrease) in Liabilities:		
Accounts Payable	0	(306)
Accrued Wages and Benefits	98	0
Intergovernmental Payable	(47)	0
Claims Payable	0	(2,138)
Net Pension Liability	(5,522)	0
Net OPEB Liability	108	0
Deferred Inflows - Pension	2,334	0
Deferred Inflows - OPEB	692	0
Total Adjustments	30,487	(2,444)
Net Cash Provided By (Used For) Operating Activities	$ (14,702)	$ 514,287

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	$ 126,167	$ 76,344
Liabilities		
Due to Students	0	$ 76,344
Net Position		
Held in Trust for Scholarships	$ 126,167	

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions	
Investment Earnings	$ 13,901
Deductions	
Payments in Accordance with Trust Agreements	6,000
Change in Net Position	7,901
Net Position Beginning of Year	118,266
Net Position End of Year	$ 126,167

See accompanying notes to the basic financial statements.

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1966. The School District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum and Madison Townships and a portion of Licking, Virginia, and Washington Townships. The School District currently operates 11 instructional/support buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Tri-Valley Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources;(3) the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Benefits Cooperative, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 14 and 15.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local 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 School District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

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

Debt Service Fund The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. The following are the School District's proprietary fund types:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's major enterprise fund is:

Scottie Kid's Club This fund accounts for transactions made in connection with before and after school child care program, formerly known as "Latch-Key."

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical, prescription drug and dental claims.

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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 governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund types are accounted for on a flow of 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 fund are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

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

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, interest, tuition, grants, student fees, and rentals.

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

Expenses/Expenditures 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 in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2019, investments were limited to negotiable certificates of deposit, Federal Home Loan Mortgage Corporation notes, Federal Home Loan Bank notes, a money market account, and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonparticipating investment contracts such as repurchase agreements, which are reported at cost.

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

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

Under existing Ohio statues, all investment earnings are assigned to the general fund except for those specifically related to the building capital projects fund (a nonmajor governmental fund), or certain trust funds individually authorized by board resolution. Investment earnings (including fair market value adjustments for investments) credited to the general fund during fiscal year 2019 amounted to $361,857 which includes $130,924 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and investments. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

G. Interfund Balances

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

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

I. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	10 - 30 Years
Buildings and Improvements	10 - 50 Years
Furniture, Fixtures and Equipment	5 - 10 Years
Vehicles	5 - 10 Years
Infrastructure	10 Years

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District or 10 years of service and age 50 and older.

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

On the governmental fund financial statements, compensated absences 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 "matured compensated absences payable" in the funds from which these payments will be made. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense; information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

L. Accrued Liabilities and Long-Term Obligations

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

M. Bond Discounts and Premiums

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Interest on the capital appreciation bonds is accreted over the term of the bonds.

On the governmental fund financial statements, bond premiums and bond discounts are recognized in the period in which debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses.

N. 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 borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2019, there was no net position restricted by enabling legislation.

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

O. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the School 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 classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

P. Interfund Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for child care and self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

S. Estimates

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

T. Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2019, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School District.

Note 3 – Accountability

Fund balances at June 30, 2019 included the following individual fund deficits:

Non-Major Governmental Funds:		
IDEA Part B	$	253,378
Title I		232,682
Improving Teacher Quality		46,600

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

Note 4 - Budgetary Basis of Accounting

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

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

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

3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

GAAP Basis	$	2,815,091
Net Adjustment for Revenue Accruals		(244,996)
Net Adjustment for Expenditure Accruals		(407,635)
Funds Budgeted Elsewhere		(17,899)
Adjustment for Encumbrances		(929,005)
Budget Basis	$	1,215,556

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes flower, uniform school supplies, summer basketball camp, underground storage tank deductible and public school support funds.

Note 5 - Deposits and Investments

State statute classifies monies held by the School District into three categories.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, in an amount not to exceed 40 percent of the interim moneys available for investment at any on time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Deposits - At year-end, $1,014,687 of the School District's bank balance of $16,567,020 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

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

Investments

As of June 30, 2019, the School District had the following investments:

			Investment Maturities		
Rating	Investment Type	Measurement Amount	12 Months or Less	12 to 36 Months	Percent of Total
	Net Asset Value (NAV):				
AAAm	STAR Ohio	$ 54,586	$ 54,586	$ 0	1.71%
AAA	Money Market	1,059,618	1,059,618	0	33.24%
	Fair Value:				
AA+	Federal Home Loan Mortgage Corporation	797,617	249,788	547,829	25.02%
AA+	Federal Home Loan Bank	543,416	0	543,416	17.05%
N/A	Negotiable Certificates of Deposit	732,691	0	732,691	22.98%
	Total	$ 3,187,928	$ 1,363,992	$ 1,823,936	100.00%

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

Interest Rate Risk The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. 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 School District, and that an investment must be purchased with the expectation that it will be held to maturity.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2019, is 53 days.

Credit Risk The School District's investments at June 30, 2019 are rated as shown above by S & P Global Rating. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State 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 property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Coshocton and Muskingum Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2018 Second-Half Collections		2019 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 336,492,150	79.85%	$ 386,303,450	80.61%
Public Utility Personal Property	84,912,020	20.15%	92,929,580	19.39%
Total Assessed Values	$ 421,404,170	100.00%	$ 479,233,030	100.00%
Tax rate per $1,000 of assessed valuation	$ 37.95		$ 37.95	

Note 7 - Receivables

Receivables at June 30, 2019, consisted of property taxes, interfund, revenue in lieu of taxes, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year.

In prior years, tax abatement agreements were entered into between Muskingum County, various townships and local businesses and were accepted by the School District to encourage economic growth in the County. In return for the abatements, the businesses agreed to make payments in lieu of taxes to the School District. Each agreement states a specified percentage that the businesses will pay based on the amount of real property taxes the School District would have received. The receivables have been recorded in the funds pursuant to the agreements. The receivable is recorded in the amount the School District will receive in the subsequent fiscal year.

This space intentionally left blank.

Note 8 - Capital Assets

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

	Balance 06/30/2018	Additions	Deletions	Balance 06/30/2019
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 4,020,160	$ 9,936	$ 0	$ 4,030,096
Construction in Progress	0	6,400	0	6,400
Total Capital Assets not being Depreciated	4,020,160	16,336	0	4,036,496
Capital Assets being depreciated				
Land Improvements	2,681,201	0	0	2,681,201
Buildings and Improvements	71,354,864	324,639	0	71,679,503
Furniture, Fixtures and Equipment	4,092,869	312,307	0	4,405,176
Vehicles	3,369,419	0	0	3,369,419
Infrastructure	119,109	0	0	119,109
Total Capital Assets Being Depreciated	81,617,462	636,946	0	82,254,408
Less Accumulated Depreciation:				
Land Improvements	(1,373,592)	(166,509)	0	(1,540,101)
Buildings and Improvements	(30,476,316)	(2,060,524)	0	(32,536,840)
Furniture, Fixtures and Equipment	(3,709,046)	(153,767)	0	(3,862,813)
Vehicles	(2,071,335)	(297,417)	0	(2,368,752)
Infrastructure	(43,094)	(19,357)	0	(62,451)
Total Accumulated Depreciation	(37,673,383)	(2,697,574) *	0	(40,370,957)
Total Capital Assets Being Depreciated, Net	43,944,079	(2,060,628)	0	41,883,451
Governmental Activities Capital Assets, Net	$ 47,964,239	$ (2,044,292)	$ 0	$ 45,919,947

* Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	$	1,306,154
Special		171,023
Vocational		68,320
Support Services:		
Pupils		39,150
Instructional Staff		127,752
Board of Education		3,923
Administration		173,339
Fiscal		2,061
Operation and Maintenance of Plant		136,630
Pupil Transportation		297,732
Central		55,114
Operation of Non-Instructional Services:		
Food Service Operations		67,329
Community Services		51,513
Extracurricular Activities		197,534
Total Depreciation	$	2,697,574

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracts with Liberty Mutual Insurance Company for property and fleet insurance. Coverage provided by Liberty Mutual Insurance Company follows:

Building and Contents ($2,500 deductible)	$	123,497,464
Automotive Liability ($1,000 comprehensive/collision)		1,000,000
General Liability:		
Each Occurrence		1,000,000
General Aggregate Limit		3,000,000
Products/Completed Operations Aggregate Limit		3,000,000
Professional Liability		
Each Occurrence		1,000,000
General Aggregate Limit		3,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Employee Medical Benefits

Medical, surgical and dental insurance is offered to all full-time employees through a self-insurance internal service fund. The School District participates with the Ohio School Benefits Cooperative with Medical Mutual serving as the third-party administrator for the plan. Stop-loss coverage is purchased for individual claims above $100,000 and in aggregate $4,763,986. With the stop loss coverage, the School District's total maximum liability for the 2019 plan year is $5,425,854. The School District pays 80 percent of family premiums and 100 percent of single premiums for the medical/surgical and prescription drug coverage which are $1,748 for family coverage or $690 for individual coverage per month. The premium is paid to the internal service fund by the fund that pays the salary for the covered employee.

The School District also pays 80 percent of family premiums and 100 percent of single premiums for the dental premiums which are $105 for family coverage or $40 for individual coverage.

The claims liability of $181,954 reported in the internal service fund at June 30, 2019, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in fund's claims liability for the fiscal years 2018 and 2019 are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2018	$ 424,522	$ 3,355,533	$ 3,595,963	$ 184,092
2019	$ 184,092	$ 3,354,168	$ 3,356,306	$ 181,954

C. Workers' Compensation

For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Experience Rating Program, an insurance purchasing pool (Note 15). The intent of the Group Experience Rating Program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Group Experience Rating Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Group Experience Rating Program.

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

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

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

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

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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 – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire 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 30 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.

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

The School District's contractually required contribution to SERS was $602,690 for fiscal year 2019. Of this amount, $58,006 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

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. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. 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 DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The School District's contractually required contribution to STRS was $1,596,352 for fiscal year 2019. Of this amount, $281,452 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.12828740%	0.09812044%	
Prior Measurement Date	0.13221330%	0.09642917%	
Change in Proportionate Share	-0.00392590%	0.00169127%	
Proportionate Share of the Net Pension Liability	$ 7,347,257	$ 21,574,482	$ 28,921,739
Pension Expense	$ 496,259	$ 1,811,954	$ 2,308,213

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 402,949	$ 498,008	$ 900,957
Changes of Assumptions	165,918	3,823,406	3,989,324
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	63,087	251,334	314,421
School District Contributions Subsequent to the Measurement Date	602,690	1,596,352	2,199,042
Total Deferred Outflows of Resources	$ 1,234,644	$ 6,169,100	$ 7,403,744
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 140,894	$ 140,894
Net Difference between Projected and Actual Earnings on Pension Plan Investments	203,569	1,308,251	1,511,820
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	120,126	447,327	567,453
Total Deferred Inflows of Resources	$ 323,695	$ 1,896,472	$ 2,220,167

$2,199,042 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 502,794	$ 1,618,540	$ 2,121,334
2021	109,016	1,093,719	1,202,735
2022	(241,119)	181,073	(60,046)
2023	(62,432)	(217,056)	(279,488)
	$ 308,259	$ 2,676,276	$ 2,984,535

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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

Discount Rate 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 that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District'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	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	$ 10,349,166	$ 7,347,257	$ 4,830,358

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
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
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	$ 31,506,690	$ 21,574,482	$ 13,168,215

Note 11 – Defined Benefit OPEB Plans

Net OPEB Asset/Liability

The net OPEB asset/liability reported on the statement of net position represents an asset or 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 asset/liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset/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 School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the asset/liability is solely that 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 asset/liability. Resulting adjustments to the net OPEB asset/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 asset/ liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was $82,271.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $104,593 for fiscal year 2019. Of this amount $84,419 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.13039540%	0.09812044%	
Prior Measurement Date	0.13439170%	0.09642917%	
Change in Proportionate Share	-0.00399630%	0.00169127%	
Proportionate Share of the Net OPEB Liability/(Asset)	$ 3,617,521	$ (1,576,695)	$ 2,040,826
OPEB Expense	$ 132,937	$ (3,410,970)	$ (3,278,033)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 59,051	$ 184,161	$ 243,212
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	32,960	60,271	93,231
School District Contributions Subsequent to the Measurement Date	104,593	0	104,593
Total Deferred Outflows of Resources	$ 196,604	$ 244,432	$ 441,036
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 91,863	$ 91,863
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	5,429	180,124	185,553
Changes of Assumptions	325,008	2,148,373	2,473,381
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	90,648	6,000	96,648
Total Deferred Inflows of Resources	$ 421,085	$ 2,426,360	$ 2,847,445

$104,593 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (130,298)	$ (391,520)	$ (521,818)
2021	(105,919)	(391,520)	(497,439)
2022	(28,709)	(391,518)	(420,227)
2023	(26,398)	(350,614)	(377,012)
2024	(26,773)	(336,261)	(363,034)
Thereafter	(10,977)	(320,495)	(331,472)
	$ (329,074)	$ (2,181,928)	$ (2,511,002)

Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

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 investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

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

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered 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, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 4,389,577	$ 3,617,521	$ 3,006,197

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 2,918,676	$ 3,617,521	$ 4,542,917

Actuarial Assumptions – STRS

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

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
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 percent ultimate

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

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

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

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total OPEB asset/liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/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 assumption. Also shown is the net OPEB liability as of June 30, 2018, 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	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	$ (1,351,376)	$ (1,576,695)	$ (1,766,066)

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	$ (1,755,376)	$ (1,576,695)	$ (1,395,231)

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees that work 260 days earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, classified employees and administrators who work less than 260 days 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 15 days per year, with a total maximum accumulation of 260 days. Upon retirement, certified employees are eligible for payment of 25 percent of unused sick leave. Classified employees, upon retirement, are eligible for payment of 25 percent of unused sick leave.

B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Term life insurance coverage is $50,000 with an additional $50,000 of accidental death and dismemberment coverage for certified and non-certified staff. For administrators, coverage is calculated at $1,000 for every $1,000 earned with a maximum of $50,000. Coverage is provided by Sun Life. The rate is $6 per month per employee.

An additional employee benefit which is offered through the School District is vision insurance through Vision Service Plan, Inc. The monthly rate is $7 for single and $16 for family for all employees.

C. Retirement Incentive

An employee that gives the School District notice of retirement prior to March 1 within the fiscal year of their retirement, is entitled to five (5) days of additional severance pay.

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2019 were as follows:

	Outstanding 6/30/2018	Additions	Deductions	Outstanding 6/30/2019	Due In One Year
Governmental Activities					
General Obligation Bonds:					
2002 School Improvement Bonds					
Term Bonds	$ 1,255,000	$ 0	$ 595,000	$ 660,000	$ 660,000
Bond Premium	18,274	0	9,139	9,135	0
Total 2002 School Improvement Bonds	1,273,274	0	604,139	669,135	660,000
2007 Advance Refunding Bonds					
Capital Appreciation Bonds	49,995	0	0	49,995	0
CAB Accretion	406,012	99,443	0	505,455	0
Total 2007 Advance Refunding Bonds	456,007	99,443	0	555,450	0
2016 Current Refunding Bonds					
Serial Bonds	7,945,000	0	0	7,945,000	0
Bond Premium	961,042	0	84,179	876,863	0
Total 2016 Current Refunding Bonds	8,906,042	0	84,179	8,821,863	0
2017 Current Refunding Bonds					
Serial Bonds	2,445,000	0	50,000	2,395,000	45,000
Bond Premium	157,297	0	29,039	128,258	0
Total 2017 Current Refunding Bonds	2,602,297	0	79,039	2,523,258	45,000
Total General Obligation Bonds	13,237,620	99,443	767,357	12,569,706	705,000
Net Pension Liability	30,727,414	0	1,879,148	28,848,266	0
Net OPEB Liability	7,332,963	0	3,751,617	3,581,346	0
Compensated Absences	1,646,100	498,851	348,760	1,796,191	349,956
Total Governmental Long-Term Liabilities	$ 52,944,097	$ 598,294	$ 6,746,882	$ 46,795,509	$1,054,956
Business-Type Activities					
Net Pension Liability	$ 78,995	$ 0	$ 5,522	$ 73,473	$ 0
Net OPEB Liability	36,067	108	0	36,175	0
Total Business-Type Long-Term Liabilities	$ 115,062	$ 108	$ 5,522	$ 109,648	$ 0

2002 General Obligation Bonds

On March 28, 2002, the School District issued $18,500,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amount of $3,880,000 and $14,620,000 respectively. During fiscal year 2006, the School District advance refunded $760,000 of the serial bonds, and $8,495,000 of the term bonds. During fiscal year 2007, the School District advance refunded an additional $3,085,000 of the term bonds. The bonds carry a variable interest rate of 3.40 to 5.75 percent. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds were removed from the financial statements of the School District.

The serial and a portion of the term bonds were originally sold at a premium of $228,153, of which $118,803 remained outstanding after the refunding issues. The remaining premium will be amortized over the remaining life of the bonds. The original bonds were issued for a 28-year period with a final maturity at December 1, 2029. After the advance refunding issues, the bonds that remained outstanding have a final maturity at December 1, 2019.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building. The School District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every 5 years for the term of the bonds.

Principal and interest requirements to retire general obligation bonds for the outstanding 2002 School Improvement Bonds outstanding at June 30, 2019 are as follows:

Fiscal Year	Term Bonds		
Ending June 30	Principal	Interest	Total
2020	$ 660,000	$ 18,150	$ 678,150

2007 Advance Refunding General Obligation Bonds – On April 19, 2007, the School District issued $3,084,995 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 17 year period with final maturity at December 1, 2023. The serial and term refunding bonds were issued with a discount of $17,818 which is reported as a decrease to bonds payable. The serial and capital appreciation refunding bonds were issued with a premium of $368,912 which was reported as an increase to bonds payable. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of $257,237. The deferred outflow of resources is related to this difference was removed from the financial statements of the School District.

On March 14, 2017 the School District refunded $2,580,000 of 2007 advance refunding general obligation serial and term bonds.

The capital appreciation bonds for the 2007 issue are not subject to early redemption and mature December 1, 2020. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is $735,000. For fiscal year 2019, $81,640 was accreted, for a total bond liability of $555,450.

Principal and interest requirements to retire general obligation bonds for the 2007 School Improvement Refunding Bonds outstanding at June 30, 2019 are as follows:

	Capital Appreciation Bonds		
Fiscal Year	Principal	Accretion	Total
2021	$ 49,995	$ 685,005	$ 735,000

2016 Current Refunding General Obligation Bonds – On March 3, 2016, the School District issued $7,965,000 of general obligation bonds that were issued to refund the 2006 advance refunding general obligation bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2029 with a varying interest rate of 2.00-4.00 percent. At the date of refunding, $9,009,031 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. The refunded bonds were called on June 1, 2016.

The serial refunding bonds were issued with a premium of $1,157,460 which is reported as an increase to bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method.

The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of $1,044,031. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of $1,862,773. The issuance resulted in an economic gain of $1,576,609.

Principal and interest requirements to retire general obligation bonds for the 2016 Current Refunding Bonds outstanding at June 30, 2019 are as follows:

	Serial/Term Bonds		
Fiscal Year	Principal	Interest	Total
2020	$ 0	$ 290,000	$ 290,000
2021	0	290,000	290,000
2022	0	290,000	290,000
2023	0	290,000	290,000
2024	335,000	286,650	621,650
2025-2029	6,100,000	937,650	7,037,650
2030	1,510,000	30,200	1,540,200
Totals	$ 7,945,000	$ 2,414,500	$ 10,359,500

Advance Refunding General Obligation Bonds – The School District had previously issued 2002 school improvement general obligation bonds for school improvements that were partially refunded through the 2006 school improvement refunding general obligation bonds and 2007 general obligation advance refunding bonds. At the date of the 2007 refunding, $3,346,035 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Improvement Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District's financial statements. All defeased debt related to the refundings was fully called and repaid in fiscal year 2012.

2017 Current Refunding General Obligation Bonds – On March 14, 2017, the School District issued $2,515,000 of general obligation bonds that were issued to refund the 2007 advance refunding general obligation bonds. The bonds were issued for a 7 year period with final maturity at December 1, 2023 with a varying interest rate of 2.00-4.00 percent. At the date of refunding, $2,628,812 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. The refunded bonds were called on June 1, 2017.

The serial refunding bonds were issued with a premium of $196,016, which is reported as an increase to bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method.

The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of $113,812. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of $187,325. The issuance resulted in an economic gain of $171,747.

Principal and interest requirements to retire general obligation bonds for the 2017 Current Refunding Bonds outstanding at June 30, 2019 are as follows:

	Serial/Term Bonds		
Fiscal Year	Principal	Interest	Total
2020	$ 45,000	$ 79,200	$ 124,200
2021	45,000	78,300	123,300
2022	820,000	68,625	888,625
2023	880,000	41,800	921,800
2024	605,000	12,100	617,100
Totals	$ 2,395,000	$ 280,025	$ 2,675,025

Compensated absences for governmental activities will be paid from the general fund and the food service special revenue fund and compensated absences for business-type activities will be paid from the Scottie Kid's Club Fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund, Food Service fund, and Scottie's Kids Club fund. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

Note 14 - Jointly Governed Organizations

Licking Area Computer Association – Licking Area Computer Association (LACA) is a non-profit K-12 consortium of school districts representing six counties. LACA is an association which serves 20 entities within the boundaries of Licking, Muskingum, Knox, Fairfield, Perry and Medina Counties. These entities consist of public school districts, private schools and education service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2018 were $242,348. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

Mid-East Ohio Career and Technology Center **–** The Mid-East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school district's elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Career and Technology Center. The School District did not make any payments to the Mid-East Ohio Career and Technology Center for fiscal year 2019. To obtain financial information, write to the Mid-East Ohio Career and Technology Center, Rick White, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting and taxing authority. OME-RESA provides cooperative purchasing programs to member districts. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools **–** The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess the development programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. During fiscal year 2019, the School District made payments of $385 to the Coalition of Rural and Appalachian Schools. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Executive Director, at McCraken Hall, Ohio University, Athens, Ohio 45701.

Note 15 – Public Entity Pools

A. Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group 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.

B. Claims Servicing Pool

Ohio School Benefits Cooperative – The School District participates in the Ohio School Benefits Cooperative, a claims servicing and a group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. The OSBC is an unincorporated, non-profit association of it members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, like and/or other types of group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees, and propose to have certain other eligible school districts or groups join them for the same purposes. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

Note 16 - Set-Asides

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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.

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2018	$ 0
Current Year Set-aside Requirement	562,527
Current Year Qualifying Disbursements	(904,346)
Totals	$ (341,819)
Balance Carried Forward to Fiscal Year 2020	$ 0
Set-aside Restricted Balance as of June 30, 2019	$ 0

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. This extra amount may not be carried forward. The School District has prior year bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

Note 17 – Interfund Activity

Interfund Balances

As of June 30, 2019, receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	Interfund Receivable	Interfund Payable	Advances to Other Funds	Advances from Other Funds
General	$ 252,414	$ 0	$ 460,515	$ 0
Other Governmental:				
IDEA Part B	0	136,948	0	0
Title I	0	92,635	0	0
Improving Teacher Quaility	0	22,831	0	0
Internal Service	0	0	0	460,515
	$ 252,414	$ 252,414	$ 460,515	$ 460,515

The primary purpose of the interfund receivable/payable balances is to cover costs in specific funds where revenues were not received by June 30. These balances will be repaid once the anticipated revenues are received, which is expected to be within the next fiscal year.

In prior fiscal years, the School District made advances that were not repaid within the subsequent fiscal year, and were therefore reclassified as long-term advances to/from other funds. The School District intends to repay these advances when the funds become available.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the Statement of Net Position at June 30, 2019.

Note 18 – Contingencies and Commitments

A. Grants

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

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

C. School District Funding

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

D. Commitments

Outstanding encumbrances for governmental funds include $805,815 for the general fund and $59,159 in non-major governmental funds.

Note 19 – Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Debt Service	Other Governmental Funds	Total
Nonspendable for:				
Advances to Other Funds	$ 460,515	$ 0	$ 0	$ 460,515
Restricted for:				
Debt Service	0	2,230,805	0	2,230,805
Capital Outlay	0	0	2,501,964	2,501,964
Food Service	0	0	352,780	352,780
Maintenance of Facilities	0	0	565,589	565,589
Other Purposes	0	0	200,259	200,259
Total Restricted	0	2,230,805	3,620,592	5,851,397
Committed for:				
Underground Storage Tank	11,000	0	0	11,000
Assigned for:				
Instruction	261,793	0	0	261,793
Support Services	446,409	0	0	446,409
Operation and Maintenance	82,491	0	0	82,491
Extracurricular	15,122	0	0	15,122
Other Purposes	155,285	0	0	155,285
Total Assigned	961,100	0	0	961,100
Unassigned	12,745,719	0	(532,660)	12,213,059
Total Fund Balance	$ 14,178,334	$ 2,230,805	$ 3,087,932	$ 19,497,071

Tri-Valley School District
Muskingum County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
School Employees Retirement System (SERS)						
School District's Proportion of the Net Pension Liability	0.12828740%	0.13221330%	0.13037600%	0.13139560%	0.13470500%	0.13470500%
School District's Proportionate Share of the Net Pension Liability	$ 7,347,257	$ 7,899,453	$ 9,542,320	$ 7,497,560	$ 6,817,343	$ 8,010,474
School District's Covered Payroll	$ 4,322,496	$ 4,279,243	$ 5,198,329	$ 4,695,668	$ 4,685,750	$ 4,358,186
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169.98%	184.60%	183.57%	159.67%	145.49%	183.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS)						
School District's Proportion of the Net Pension Liability	0.09812044%	0.09642917%	0.09658624%	0.09963634%	0.10106109%	0.10106109%
School District's Proportionate Share of the Net Pension Liability	$ 21,574,482	$ 22,906,956	$ 32,330,326	$ 27,536,570	$ 24,581,555	$ 29,281,387
School District's Covered Payroll	$ 11,242,207	$ 10,690,171	$ 10,294,800	$ 10,130,871	$ 10,706,254	$ 10,334,069
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.91%	214.28%	314.05%	271.81%	229.60%	283.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Tri-Valley School District
Muskingum County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 602,690	$ 583,537	$ 599,094	$ 727,766
Contributions in Relation to the Contractually Required Contribution	(602,690)	(583,537)	(599,094)	(727,766)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 4,464,370	$ 4,322,496	$ 4,279,243	$ 5,198,329
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 1,596,352	$ 1,573,909	$ 1,496,624	$ 1,441,272
Contributions in Relation to the Contractually Required Contribution	(1,596,352)	(1,573,909)	(1,496,624)	(1,441,272)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 11,402,514	$ 11,242,207	$ 10,690,171	$ 10,294,800
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

	2015	2014	2013	2012	2011	2010
	$ 618,889	$ 649,445	$ 603,173	$ 600,168	$ 501,863	$ 539,831
	(618,889)	(649,445)	(603,173)	(600,168)	(501,863)	(539,831)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 4,695,668	$ 4,685,750	$ 4,358,186	$ 4,462,216	$ 3,992,546	$ 3,986,935
	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
	$ 1,418,322	$ 1,391,813	$ 1,343,429	$ 1,377,450	$ 1,498,373	$ 1,518,058
	(1,418,322)	(1,391,813)	(1,343,429)	(1,377,450)	(1,498,373)	(1,518,058)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 10,130,871	$ 10,706,254	$ 10,334,069	$ 10,595,769	$ 11,525,946	$ 11,677,369
	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

This page intentionally left blank.

Tri-Valley Local School District
Muskingum County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability
Last Three Fiscal Years (1)

	2019	2018	2017
School Employees Retirement System (SERS)			
School District's Proportion of the Net OPEB Liability	0.13039540%	0.13439170%	0.13227995%
School District's Proportionate Share of the Net OPEB Liability	$ 3,617,521	$ 3,606,720	$ 3,770,468
School District's Covered Payroll	$ 4,322,496	$ 4,279,243	$ 5,198,329
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.69%	84.28%	72.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)			
School District's Proportion of the Net OPEB Liability/(Asset)	0.09812044%	0.09642917%	0.09658624%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	$ (1,576,695)	$ 3,762,310	$ 5,165,457
School District's Covered Payroll	$ 11,242,207	$ 10,690,171	$ 10,294,800
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.02%	35.19%	50.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Tri-Valley Local School District
Muskingum County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 104,593	$ 93,158	$ 74,291	$ 67,613
Contributions in Relation to the Contractually Required Contribution	(104,593)	(93,158)	(74,291)	(67,613)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 4,464,370	$ 4,322,496	$ 4,279,243	$ 5,198,329
OPEB Contributions as a Percentage of Covered Payroll (1)	2.34%	2.16%	1.74%	1.30%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 11,402,514	$ 11,242,207	$ 10,690,171	$ 10,294,800
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ 107,158	$ 73,103	$ 60,220	$ 24,542	$ 57,093	$ 18,340
(107,158)	(73,103)	(60,220)	(24,542)	(57,093)	(18,340)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 4,695,668	$ 4,685,750	$ 4,358,186	$ 4,462,216	$ 3,992,546	$ 3,986,935
2.28%	1.56%	1.38%	0.55%	1.43%	0.46%
$ 0	$ 107,063	$ 103,341	$ 105,958	$ 115,259	$ 116,774
0	(107,063)	(103,341)	(105,958)	(115,259)	(116,774)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 10,130,871	$ 10,706,254	$ 10,334,069	$ 10,595,769	$ 11,525,946	$ 11,677,369
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, 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 percent 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.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

Note 2 - Net OPEB Asset/Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62

percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare	
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Medicare	
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 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.

Changes in Benefit Terms – STRS

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

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. This was subsequently extended, see above paragraph.

This page intentionally left blank.

October 30, 2019

To the Board of Education and Management
Tri-Valley Local School District
Muskingum County, Ohio
36 E. Muskingum Avenue
Dresden, OH 43821

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the "School District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CPAs and business consultants
www.reacpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Zanesville, Ohio

October 30, 2019

To the Board of Education and Management
Tri-Valley Local School District
Muskingum County, Ohio
36 E. Muskingum Avenue
Dresden, OH 43821

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Tri-Valley Local School District's, Muskingum County, Ohio (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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*)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Tri-Valley Local School District, Muskingum County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Zanesville, Ohio

TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Disbursements	Amount Paid to Subrecipients
U. S. Department of Education:				
(Passed Through Ohio Department of Education)				
Title I Grants to Local Educational Agencies	84.010	2018	$ 33,055	$ -
Title I Grants to Local Educational Agencies	84.010	2019	549,560	-
Total Title I Grants to Local Educational Agencies			582,615	-
Special Education Cluster:				
Special Education Grants to States	84.027	2018	78,385	-
Special Education Grants to States	84.027	2019	465,285	-
Total Special Education Grants to States			543,670	-
Total Special Education Cluster:			543,670	-
Improving Teacher Quality State Grants	84.367	2018	18,257	-
Improving Teacher Quality State Grants	84.367	2019	79,910	-
Total Improving Teacher Quality State Grants			98,167	-
Total U.S. Department of Education			1,224,452	-
U. S. Department of Agriculture:				
(Passed Through Ohio Department of Education)				
Child Nutrition Cluster				
Non-Cash Assistance:				
School Breakfast Program	10.553	2019	31,030	-
Cash Assistance:				
School Breakfast Program	10.553	2019	120,955	-
Total School Breakfast Program			151,985	-
Non-Cash Assistance:				
National School Lunch Program	10.555	2019	121,818	-
Cash Assistance:				
National School Lunch Program	10.555	2019	474,847	-
Total National School Lunch Program			596,665	-
Total Child Nutrition Cluster			748,650	-
Total U.S. Department of Agriculture			748,650	-
Total Federal Assistance			$ 1,973,102	$ -

See accompanying notes to the schedule of expenditures of federal awards.

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Tri-Valley Local School District (the School District) under programs of the federal government for the year ended June 30, 2019. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

Tri-Valley Local School District
Muskingum County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None Reported
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	None Reported
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Child Nutrition Cluster	CFDA # 10.553/10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

TRI-VALLEY LOCAL SCHOOL DISTRICT

MUSKINGUM 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
DECEMBER 10, 2019