



OHIO AUDITOR OF STATE
KEITH FABER



**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY
JUNE 30, 2020 AND 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2020.....	3
Statement of Activities –Cash Basis – For the Fiscal Year Ended June 30, 2020.....	4
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds – June 30, 2020.....	5
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds - For the Fiscal Year Ended June 30, 2020	6
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual – Budgetary Basis General Fund – For the Fiscal Year Ended June 30, 2020	7
Statement of Fiduciary Net Position- Cash Basis Fiduciary Funds – June 30, 2020.....	8
Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Fund - For the Fiscal Year Ended June 30, 2020	9
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2020	11
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2019.....	43
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2019.....	44
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds – June 30, 2019.....	45
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds- For the Fiscal Year Ended June 30, 2019	46
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual – Budgetary Basis General Fund – For the Fiscal Year Ended June 30, 2019	47
Statement of Fiduciary Net Position- Cash Basis Fiduciary Funds – June 30, 2019.....	48

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY
JUNE 30, 2020 AND 2019**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Fund - For the Fiscal Year Ended June 30, 2019	49
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2019	51
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	83
Schedule of Findings.....	85
Prepared by Management:	
Summary Schedule of Prior Audit Findings	87

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Russia Local School District, Shelby County, Ohio (the School District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Russia Local School District, Shelby County, Ohio, as of June 30, 2020 and 2019, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

November 18, 2020

Russia Local School District
Statement of Net Position - Cash Basis
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,060,169</u>
Net Position	
Restricted for:	
Capital Projects	\$864,246
Debt Service	1,159,324
Other Purposes	207,285
Unrestricted	<u>3,829,314</u>
<i>Total Net Position</i>	<u>\$6,060,169</u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2020

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$2,705,282	\$503,680	\$59,315	(\$2,142,287)
Special	541,658	50,176	219,202	(272,280)
Student Intervention Services	2,327	-	-	(2,327)
Support Services:				
Pupil	69,879	3,623	2,150	(64,106)
Instructional Staff	38,190	-	1,206	(36,984)
Board of Education	8,594	-	-	(8,594)
Administration	401,240	-	-	(401,240)
Fiscal	193,777	-	-	(193,777)
Operation and Maintenance of Plant	533,160	-	20,821	(512,339)
Pupil Transportation	189,722	16,659	5,638	(167,425)
Central	90,677	-	22,190	(68,487)
Operation of Non-Instructional Services	157,586	102,184	27,045	(28,357)
Extracurricular Activities	171,675	46,072	2,505	(123,098)
Capital Outlay	2,451	-	-	(2,451)
Principal Retirement	310,000	-	-	(310,000)
Interest and Fiscal Charges	81,975	-	-	(81,975)
<i>Total Governmental Activities</i>	<u>\$5,498,193</u>	<u>\$722,394</u>	<u>\$360,072</u>	(4,415,727)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,099,772
Debt Service				427,113
Other Purposes				19,997
Income Taxes Levied for General Purposes				510,975
Grants and Entitlements not Restricted to Specific Programs				2,445,951
Sale of Capital Assets				3,411
Gifts and Donations not Restricted to Specific Programs				6,409
Interest				62,290
Miscellaneous				43,741
<i>Total General Cash Receipts</i>				<u>4,619,659</u>
Change in Net Position				203,932
<i>Net Position Beginning of Year</i>				<u>5,856,237</u>
<i>Net Position End of Year</i>				<u><u>\$6,060,169</u></u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,829,314	\$1,159,324	\$864,246	\$207,285	\$6,060,169
<i>Total Assets</i>	<u>\$3,829,314</u>	<u>\$1,159,324</u>	<u>\$864,246</u>	<u>\$207,285</u>	<u>\$6,060,169</u>
Fund Balances					
Restricted	\$0	\$1,159,324	\$864,246	\$207,285	\$2,230,855
Assigned	39,887	-	-	-	39,887
Unassigned	3,789,427	-	-	-	3,789,427
<i>Total Fund Balances</i>	<u>\$3,829,314</u>	<u>\$1,159,324</u>	<u>\$864,246</u>	<u>\$207,285</u>	<u>\$6,060,169</u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$1,099,772	\$427,113	\$0	\$19,997	\$1,546,882
Income Taxes	510,975	-	-	-	510,975
Intergovernmental	2,476,220	86,002	-	238,636	2,800,858
Interest	62,290	-	-	-	62,290
Tuition and Fees	555,604	-	-	-	555,604
Rent	-	-	-	1,270	1,270
Extracurricular Activities	3,964	-	-	51,232	55,196
Contributions and Donations	9,069	-	-	2,505	11,574
Charges for Services	-	-	-	102,184	102,184
Miscellaneous	46,024	-	-	5,857	51,881
<i>Total Receipts</i>	<u>4,763,918</u>	<u>513,115</u>	<u>-</u>	<u>421,681</u>	<u>5,698,714</u>
Disbursements					
Current:					
Instruction:					
Regular	2,645,967	-	-	59,315	2,705,282
Special	448,094	-	-	93,564	541,658
Student Intervention Services	2,327	-	-	-	2,327
Support Services:					
Pupil	69,879	-	-	-	69,879
Instructional Staff	36,984	-	-	1,206	38,190
Board of Education	8,594	-	-	-	8,594
Administration	401,240	-	-	-	401,240
Fiscal	184,121	9,226	-	430	193,777
Operation and Maintenance of Plant	310,469	-	147,815	74,876	533,160
Pupil Transportation	177,163	-	-	12,559	189,722
Central	68,487	-	-	22,190	90,677
Operation of Non-Instructional Services	7,878	-	-	149,708	157,586
Extracurricular Activities	131,978	-	-	39,697	171,675
Capital Outlay	-	-	2,451	-	2,451
Debt Service:					
Principal Retirement	-	310,000	-	-	310,000
Interest and Fiscal Charges	-	81,975	-	-	81,975
<i>Total Disbursements</i>	<u>4,493,181</u>	<u>401,201</u>	<u>150,266</u>	<u>453,545</u>	<u>5,498,193</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>270,737</u>	<u>111,914</u>	<u>(150,266)</u>	<u>(31,864)</u>	<u>200,521</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	3,411	-	-	-	3,411
Transfers In	-	-	-	10,000	10,000
Transfers Out	(10,000)	-	-	-	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,589)</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>3,411</u>
<i>Net Change in Fund Balances</i>	264,148	111,914	(150,266)	(21,864)	203,932
<i>Fund Balances Beginning of Year</i>	<u>3,565,166</u>	<u>1,047,410</u>	<u>1,014,512</u>	<u>229,149</u>	<u>5,856,237</u>
<i>Fund Balances End of Year</i>	<u>\$3,829,314</u>	<u>\$1,159,324</u>	<u>\$864,246</u>	<u>\$207,285</u>	<u>\$6,060,169</u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$1,070,300	\$1,070,300	\$1,099,772	\$29,472
Income Taxes	460,000	460,000	510,975	50,975
Intergovernmental	2,596,800	2,596,800	2,476,220	(120,580)
Interest	51,500	51,500	62,290	10,790
Tuition and Fees	578,000	578,000	555,604	(22,396)
Extracurricular Activities	4,400	4,400	362	(4,038)
Contributions and Donations	2,500	2,500	6,409	3,909
Miscellaneous	11,800	14,151	16,213	2,062
Total Receipts	<u>4,775,300</u>	<u>4,777,651</u>	<u>4,727,845</u>	<u>(49,806)</u>
Disbursements				
Current:				
Instruction:				
Regular	2,681,541	2,683,914	2,649,809	34,105
Special	483,806	483,490	448,274	35,216
Student Intervention Services	6,050	6,050	2,327	3,723
Support Services:				
Pupils	98,900	98,900	65,625	33,275
Instructional Staff	46,285	46,285	36,984	9,301
Board of Education	9,030	9,030	8,594	436
Administration	409,800	409,800	401,240	8,560
Fiscal	194,050	194,050	184,121	9,929
Operation and Maintenance of Plant	380,094	380,094	335,626	44,468
Pupil Transportation	224,426	224,426	184,945	39,481
Central	76,100	76,100	69,237	6,863
Operation of Non-Instructional Services	12,000	12,000	7,628	4,372
Extracurricular Activities	160,750	160,750	131,978	28,772
Total Disbursements	<u>4,782,832</u>	<u>4,784,889</u>	<u>4,526,388</u>	<u>258,501</u>
Excess of Receipts Over (Under) Disbursements	<u>(7,532)</u>	<u>(7,238)</u>	<u>201,457</u>	<u>208,695</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	30,000	30,000	29,789	(211)
Proceeds from Sale of Capital Assets	-	-	3,411	3,411
Transfers Out	(200,000)	(200,000)	(10,000)	190,000
Other Financing Uses	(600,000)	(600,000)	-	600,000
Total Other Financing Sources (Uses)	<u>(770,000)</u>	<u>(770,000)</u>	<u>23,200</u>	<u>793,200</u>
Net Change in Fund Balances	(777,532)	(777,238)	224,657	1,001,895
Fund Balance at Beginning of Year	3,533,281	3,533,281	3,533,281	-
Prior Year Encumbrances Appropriated	30,058	30,058	30,058	-
Fund Balance at End of Year	<u>\$2,785,807</u>	<u>\$2,786,101</u>	<u>\$3,787,996</u>	<u>\$1,001,895</u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,471	\$47,765
Liabilities		
Due to Students	-	\$47,765
Net Position		
Held in Trust for Scholarships	9,471	
Total Net Position	\$9,471	

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust
Additions	
Gifts and Contributions	\$34,370
Deductions	
Scholarships	37,625
Change in Net Position	(3,255)
Net Position - Beginning of Year	12,726
Net Position - End of Year	\$9,471

See accompanying notes to the basic financial statements

This page intentionally left blank.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Reporting Entity

Russia Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities are staffed by 23 non-certificated employees, 34 certificated teaching personnel and 3 administrative employees to provide services to 427 students. It currently operates one instructional building.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

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 Russia Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

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 the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Reporting Entity (continued)

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization (WOCO)
Southwestern Ohio Educational Purchasing Council (SOEPC)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and
Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 financial 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 statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Permanent Improvement Fund – The Permanent Improvement fund accounts for resources that are used for the acquisition or construction of major capital facilities.

Bond Retirement Fund – The Bond Retirement Fund 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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Funds

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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs, which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities, which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The Board has established the legal level of control for the General Fund and the Bond Retirement Debt Service Fund at the two-digit function level and at the fund level for all other funds. The Treasurer makes budgetary allocations at the function and object level within all funds.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

E. Cash and Investments

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2020, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2020 was \$62,290, which included \$23,308 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension/OPEB Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension/OPEB plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net Position

The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any net position restricted by enabling legislation at June 30, 2020.

L. Fund Balance

Fund balance is divided into five classifications 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 classifications are as follows:

Non-spendable – The non-spendable classification 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' includes items that are not expected to be converted to cash.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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 classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

M. Interfund Transactions

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

N. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 264,147
Encumbrances	(39,211)
Perspective Differences	<u>(279)</u>
Budgetary Basis	<u>\$ 224,657</u>

Note 4 - Deposits and Investments

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

Interim deposits are deposits of interim monies. Interim deposits 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to 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;

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 4 - Deposits and Investments (continued)

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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; and
8. Certain bankers' acceptances (for a period not to exceed one hundred eight days) and commercial paper (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

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. Except as noted above, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 4 - Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of 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 be either insured or be protected by (1) eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of deposits being secured (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of the 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 the State. For 2020, certain School District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS.

At fiscal year-end, the carrying amount of the School District's deposits was \$6,117,405. Cash balances per the bank were \$6,129,299. \$2,250,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2020, \$3,879,299 of the School District's bank balance of \$6,129,299 was collateralized.

Investments

The School District did not have any investments at June 30, 2020.

Note 5 - 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 year.

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax receipts received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 5 - Property Taxes (continued)

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$49,502,780	93.14%	\$50,374,680	92.51%
Public Utility Personal	3,646,040	6.86	4,077,710	7.49
Total	<u>\$53,148,820</u>	<u>100.00%</u>	<u>\$54,452,390</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$43.25		\$43.25	

Note 6 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 7 - 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 contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$5,000 deductible)	\$33,495,940
Boiler and Machinery (\$3,500 deductible)	250,000,000
Flood & Earthquake per occurrence/aggregate	1,000,000
Cyber Liability/Identity Theft (\$15,000 deductible)	2,000,000
Automobile Liability (per occurrence, \$1,000 deductible)	1,000,000
Money and Securities (per occurrence, \$5,000 deductible)	1,000,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$10,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - Risk Management (continued)

Excess Liability – (occurrence/aggregate per district)	5,000,000
Sexual Abuse and Molestation	5,000,000
Violent Event (\$2,500 deductible)	100,000
Site Pollution (\$25,000 deductible)	1,000,000
Excess Property (per occurrence)	350,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2020, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

Note 8 - Defined Benefit Pension Plans

Net Pension Liability/Net OPEB Liability (Asset)

The net pension/OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Defined Benefit Pension Plans (continued)

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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). The retirement systems may allocate a portion of the employer contributions to provide these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Defined Benefit Pension Plans (continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020 the allocation to pension, death benefits, and Medicare B was 14 percent. The remaining 0 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$88,563 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Defined Benefit Pension Plans (continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, the employer rate was 14 percent and the member rate was 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$320,326 fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0185802%	0.01607723%	
Current Measurement Date	0.0188053%	0.01650023%	
Change in Proportionate Share	0.0002251%	0.00042300%	
Proportionate Share of the Net Pension Liability	\$1,125,154	\$3,648,927	\$4,774,081

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015 adopted by the Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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 total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$1,576,743	\$1,125,154	\$746,440

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation.

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

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

Actuarial assumptions used in the July 1, 2019 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 %	

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Defined Benefit Pension Plans (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$5,332,500	\$3,648,927	\$2,223,696

Note 9 – Defined Benefit OPEB Plans

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

See Note 8 for a description of the net OPEB liability.

A. School Employees Retirement System

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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 – Defined Benefit OPEB Plans (continued)

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 2020, 0 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 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$12,277.

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 \$12,277 for fiscal year 2020.

B. State Teachers Retirement System (STRS)

Plan Description The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursement elimination date was postponed to January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the year ended June 30, 2020, no employer allocation was made to the post-employment health care fund.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 – Defined Benefit OPEB Plans (continued)

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB asset/liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.0187883%	0.01607723%	
Current Measurement Date	<u>0.0192659%</u>	<u>0.01650023%</u>	
Change in Proportionate Share	0.0004776%	0.00042300%	
Proportionate Share of the Net OPEB Liability (Asset)	\$484,497	(\$273,283)	\$211,214

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 – Defined Benefit OPEB Plans (continued)

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25-4.75 percent
Pre-Medicare	7.0-4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 4.75 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:

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 – Defined Benefit OPEB Plans (continued)

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 total pension liability was calculated using the discount rate of 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (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 Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
	School District's proportionate share of the net OPEB liability	\$588,087	\$484,497
	1% Decrease 6.00% decreasing to 3.75%	Current Discount Rate 7.00% decreasing to 4.75%	1% Increase 8.00% decreasing to 5.75%
School District's proportionate share of the net OPEB liability	\$388,180	\$484,497	\$612,286

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 – Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation.

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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:

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 – Defined Benefit OPEB Plans (continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate The following tables represents the net OPEB liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$233,193)	(\$273,283)	(\$306,990)
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB asset	(\$309,891)	(\$273,283)	(\$228,448)

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 – Debt

The changes in the School District’s long-term obligations during fiscal year 2020 were as follows:

	Amount Outstanding 6/30/19	Additions	Deletions	Amount Outstanding 6/30/20	Amount Due in One Year
Governmental Activities					
School Improvement Refunding Bonds:					
Capital Appreciation Bonds 4.25%, 4.33%	\$ 34,998	\$ -	\$ (19,230)	\$ 15,768	\$ 15,768
Accretion on CABs	319,377	55,328	(195,770)	178,935	199,232
Total School Improvement Refunding Bonds	354,375	55,328	(215,000)	194,703	215,000
Current Refunding Bonds, 3/16/2017					
Serial Bonds 2.0-2.25%	285,000	-	(70,000)	215,000	
Term Bonds 2.75-3.5%	1,195,000	-	-	1,195,000	-
Capital Appreciation Bonds 2.1%, 2.3%	24,999	-	-	24,999	15,524
Accretion on CABs	38,869	33,799	-	72,668	59,476
Total School Improvement Refunding Bonds	1,543,868	33,799	(70,000)	1,507,667	75,000
Current Refunding Bonds, 9/7/2017					
Serial Bonds 2.0-2.375%	1,825,000	-	(25,000)	1,800,000	-
Capital Appreciation Bonds 1.75%, 1.85%	130,000	-	-	130,000	14,317
Accretion on CABs	45,274	32,977	-	78,251	10,683
Total Bond Premiums	2,000,274	32,977	(25,000)	2,008,251	25,000
Total Debt	\$ 3,898,517	\$ 122,104	\$ (310,000)	\$ 3,710,621	\$ 315,000

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. 1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). All the remaining term and serial bonds were refunded in fiscal year 2018. The capital appreciation bonds were accreted \$55,328 in fiscal year 2020.

On March 16, 2017, the School District issued \$1,604,999 in current refunding bonds, with interest rates ranging from 2-3.5%. \$385,000 of the bonds is serial bonds, \$1,195,000 is term bonds, and \$24,999 is capital appreciation bonds (maturity amount of \$75,000 and \$70,000 maturing December 1, 2020 and 2021, respectively).

On September 7, 2017, the School District issued \$2,210,000 in current refunding bonds, with interest rates ranging from 1.75-2.375%. The bond proceeds were used to advance refund \$2,210,000 of the school improvement bonds which had interest rates ranging from 4.0-4.2%. \$130,000 of the bonds are capital appreciation bonds; bonds with maturity values of \$25,000 mature December 1, 2020 and \$240,000 mature December 1, 2021.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 – Debt (continued)

The School District’s overall debt margin at June 30, 2020, was \$2,679,271 and the unvoted debt margin was \$54,452. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2020, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$45,609	\$350,416	\$396,025
2022	125,158	265,867	391,025
2023	310,000	77,925	387,925
2024	320,000	71,625	391,625
2025	320,000	65,138	385,138
2026-2030	1,475,000	213,988	1,688,988
2031-2035	470,000	96,613	566,613
2036-2038	315,000	16,888	331,888
Subtotal	3,380,767	1,158,460	\$4,539,227
Accretion on Bonds	329,854	(329,854)	
	\$3,710,621	\$828,606	

Note 11 – Fund Balance

Fund balance is classified as non-spendable, 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 below:

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Food Service Operations	\$ -	\$ -	\$ -	\$ 10,382	\$ 10,382
Classroom Maintenance	-	-	-	176,853	176,853
Athletics	-	-	-	19,150	19,150
Ohio Arts Council Grant	-	-	-	900	900
Capital Improvements	-	-	864,246	-	864,246
Debt Service	-	1,159,324	-	-	1,159,324
Total Restricted	-	1,159,324	864,246	207,285	2,230,855
Assigned for:					
Unpaid Obligations	39,211	-	-	-	39,211
Public School Support	676	-	-	-	676
Total Assigned	39,887	-	-	-	39,887
Unassigned	3,789,427	-	-	-	3,789,427
Total Fund Balance	\$ 3,829,314	\$ 1,159,324	\$ 864,246	\$ 207,285	\$ 6,060,169

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 – Set-Aside Requirements

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

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

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2019	\$0
Current Year Set-aside Requirement	75,615
Current Year Offsets - Capital Facilities maintenance levy	(34,102)
Prior Year Offset from Bond Proceeds	(41,513)
Total Set-aside Balance as of June 30, 2020	\$0

The District had current year offsets that reduced the capital improvements set-aside. During prior fiscal years, the District issued \$4,500,500 and \$1,940,700 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,449,830 at June 30, 2020.

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. 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 governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2020, the School District paid \$55,123 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 240 school districts/organizations in 37 counties in Ohio and 2 in Kentucky. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2020, the School District paid \$24,024 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Midwest Regional Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Medical Mutual for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2020, Russia Local School District contributed \$733,624. Financial information can be obtained from Larry Lentz, who serves as consultant to the group, Pinnacle Advisory Group, 462 Twelve Oaks Trail, Dayton, Ohio 45434.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program - The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2020, the School District paid \$24,024 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 – Tax Abatement Disclosures

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, the School District is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

The Village of Russia entered into an agreement with O’Francis Properties, LLC. Approval of the agreement by the Board of Education of Russia Local School District was not required pursuant to an exception set forth in Section 3735.671(A)(2) of the Ohio Revised Code. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2019, was \$2,266.

Note 15 – Interfund Transactions

The School District transferred \$10,000 from the General Fund to the Food Service Fund to support its lunchroom program.

Note 16 – Contractual Commitments

At June 30, 2020, the School District had a contract with Snider Recreation, Inc. The contract was for \$181,843. \$93,051 was paid, leaving a balance of \$88,792.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 17– Contingent Liabilities

Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

Litigation

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

Foundation Funding

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

COVID-19 Pandemic

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

Note 18 – Compliance

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2020, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

This page intentionally left blank.

Russia Local School District
Statement of Net Position - Cash Basis
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,856,237
Net Position	
Restricted for:	
Capital Projects	\$1,014,512
Debt Service	1,047,410
Other Purposes	229,149
Unrestricted	3,565,166
<i>Total Net Position</i>	<i>\$5,856,237</i>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2019

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$2,525,706	\$521,455	\$74,939	(\$1,929,312)
Special	551,130	26,979	235,658	(288,493)
Student Intervention Services	3,387	-	-	(3,387)
Support Services:				
Pupil	86,847	2,949	1,439	(82,459)
Instructional Staff	37,655	-	1,914	(35,741)
Board of Education	8,238	-	-	(8,238)
Administration	374,908	-	-	(374,908)
Fiscal	195,839	-	-	(195,839)
Operation and Maintenance of Plant	328,943	-	7,786	(321,157)
Pupil Transportation	140,347	8,780	3,020	(128,547)
Central	101,103	-	36,795	(64,308)
Operation of Non-Instructional Services	158,614	117,256	35,633	(5,725)
Extracurricular Activities	203,851	68,893	2,350	(132,608)
Principal Retirement	310,000	-	-	(310,000)
Interest and Fiscal Charges	86,025	-	-	(86,025)
<i>Total Governmental Activities</i>	<u>\$5,112,593</u>	<u>\$746,312</u>	<u>\$399,534</u>	(3,966,747)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,060,831
Debt Service				414,407
Other Purposes				19,350
Income Taxes Levied for General Purposes				428,102
Grants and Entitlements not Restricted to Specific Programs				2,479,517
Refunding Bonds Issued				-
Premium on Refunding Bonds				-
Gifts and Donations not Restricted to Specific Programs				2,146
Interest				32,702
Miscellaneous				21,933
<i>Total General Cash Receipts</i>				<u>4,458,988</u>
Change in Net Position				492,241
<i>Net Position Beginning of Year</i>				<u>5,363,996</u>
<i>Net Position End of Year</i>				<u><u>\$5,856,237</u></u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,565,166	\$1,047,410	\$1,014,512	\$229,149	\$5,856,237
<i>Total Assets</i>	<u>\$3,565,166</u>	<u>\$1,047,410</u>	<u>\$1,014,512</u>	<u>\$229,149</u>	<u>\$5,856,237</u>
Fund Balances					
Restricted	\$0	\$1,047,410	\$1,014,512	\$229,149	\$2,291,071
Assigned	777,895	-	-	-	777,895
Unassigned	2,787,271	-	-	-	2,787,271
<i>Total Fund Balances</i>	<u>\$3,565,166</u>	<u>\$1,047,410</u>	<u>\$1,014,512</u>	<u>\$229,149</u>	<u>\$5,856,237</u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$1,060,831	\$414,407	\$0	\$19,350	\$1,494,588
Income Taxes	428,102	-	-	-	428,102
Intergovernmental	2,542,634	85,656	-	245,515	2,873,805
Interest	32,702	-	-	-	32,702
Tuition and Fees	549,487	-	-	-	549,487
Extracurricular Activities	6,605	-	-	59,368	65,973
Contributions and Donations	5,042	-	-	2,350	7,392
Charges for Services	-	-	-	117,256	117,256
Miscellaneous	29,660	-	-	5,869	35,529
<i>Total Receipts</i>	<u>4,655,063</u>	<u>500,063</u>	<u>-</u>	<u>449,708</u>	<u>5,604,834</u>
Disbursements					
Current:					
Instruction:					
Regular	2,477,601	-	-	48,105	2,525,706
Special	449,799	-	-	101,331	551,130
Student Intervention Services	3,387	-	-	-	3,387
Support Services:					
Pupil	86,154	-	-	693	86,847
Instructional Staff	35,741	-	-	1,914	37,655
Board of Education	8,238	-	-	-	8,238
Administration	374,908	-	-	-	374,908
Fiscal	186,143	9,266	-	430	195,839
Operation and Maintenance of Plant	307,509	-	8,895	12,539	328,943
Pupil Transportation	124,179	-	-	16,168	140,347
Central	64,308	-	-	36,795	101,103
Operation of Non-Instructional Services	4,172	-	-	154,442	158,614
Extracurricular Activities	138,780	-	-	65,071	203,851
Debt Service:					
Principal Retirement	-	310,000	-	-	310,000
Interest and Fiscal Charges	-	86,025	-	-	86,025
<i>Total Disbursements</i>	<u>4,260,919</u>	<u>405,291</u>	<u>8,895</u>	<u>437,488</u>	<u>5,112,593</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>394,144</u>	<u>94,772</u>	<u>(8,895)</u>	<u>12,220</u>	<u>492,241</u>
Other Financing Sources (Uses)					
Transfers In	-	-	700,000	-	700,000
Transfers Out	(200,000)	(500,000)	-	-	(700,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>(500,000)</u>	<u>700,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	194,144	(405,228)	691,105	12,220	492,241
<i>Fund Balances Beginning of Year</i>	<u>3,371,022</u>	<u>1,452,638</u>	<u>323,407</u>	<u>216,929</u>	<u>5,363,996</u>
<i>Fund Balances End of Year</i>	<u>\$3,565,166</u>	<u>\$1,047,410</u>	<u>\$1,014,512</u>	<u>\$229,149</u>	<u>\$5,856,237</u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$1,075,000	\$1,075,000	\$1,060,831	(\$14,169)
Income Taxes	460,000	460,000	428,102	(31,898)
Intergovernmental	2,582,500	2,582,500	2,542,634	(39,866)
Interest	4,000	4,000	32,702	28,702
Tuition and Fees	485,500	485,500	549,487	63,987
Extracurricular Activities	3,200	3,200	3,656	456
Contributions and Donations	3,000	3,000	2,146	(854)
Miscellaneous	19,200	24,197	14,781	(9,416)
Total Receipts	<u>4,632,400</u>	<u>4,637,397</u>	<u>4,634,339</u>	<u>(3,058)</u>
Disbursements				
Current:				
Instruction:				
Regular	2,540,474	2,545,471	2,477,764	67,707
Special	458,650	458,650	449,989	8,661
Student Intervention Services	7,050	7,050	3,387	3,663
Support Services:				
Pupils	95,106	95,106	80,309	14,797
Instructional Staff	46,650	46,650	36,126	10,524
Board of Education	9,050	9,050	8,238	812
Administration	417,900	417,900	375,908	41,992
Fiscal	197,565	197,565	186,143	11,422
Operation and Maintenance of Plant	387,088	387,088	328,553	58,535
Pupil Transportation	149,621	149,621	131,055	18,566
Central	70,530	70,530	64,708	5,822
Operation of Non-Instructional Services	12,000	12,000	1,922	10,078
Extracurricular Activities	157,100	162,100	138,780	23,320
Total Disbursements	<u>4,548,784</u>	<u>4,558,781</u>	<u>4,282,882</u>	<u>275,899</u>
Excess of Receipts Over (Under) Disbursements	<u>83,616</u>	<u>78,616</u>	<u>351,457</u>	<u>272,841</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	20,000	20,000	14,879	(5,121)
Transfers Out	(100,000)	(200,000)	(200,000)	-
Other Financing Uses	(700,000)	(595,000)	-	595,000
Total Other Financing Sources (Uses)	<u>(780,000)</u>	<u>(775,000)</u>	<u>(185,121)</u>	<u>589,879</u>
Net Change in Fund Balances	(696,384)	(696,384)	166,336	862,720
Fund Balance at Beginning of Year	3,319,000	3,319,000	3,319,000	-
Prior Year Encumbrances Appropriated	47,945	47,945	47,945	-
Fund Balance at End of Year	<u>\$2,670,561</u>	<u>\$2,670,561</u>	<u>\$3,533,281</u>	<u>\$862,720</u>

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,726	\$28,697
Liabilities		
Due to Students	-	\$28,697
Net Position		
Held in Trust for Scholarships	12,726	
Total Net Position	\$12,726	

See accompanying notes to the basic financial statements

Russia Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions	
Gifts and Contributions	\$38,175
Deductions	
Scholarships	36,606
Change in Net Position	1,569
Net Position - Beginning of Year	11,157
Net Position - End of Year	\$12,726

See accompanying notes to the basic financial statements

This page intentionally left blank.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Reporting Entity

Russia Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities are staffed by 21 non-certificated employees, 33 certificated teaching personnel and 3 administrative employees to provide services to 433 students. It currently operates one instructional building.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

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 Russia Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

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 the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Reporting Entity (continued)

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization (WOCO)
Southwestern Ohio Educational Purchasing Council (SOEPC)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and
Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 financial 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 statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Permanent Improvement Fund – The Permanent Improvement fund accounts for resources that are used for the acquisition or construction of major capital facilities.

Bond Retirement Fund – The Bond Retirement Fund 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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Funds

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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs, which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities, which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The Board has established the legal level of control for the General Fund and the Bond Retirement Debt Service Fund at the two-digit function level and at the fund level for all other funds. The Treasurer makes budgetary allocations at the function and object level within all funds.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

E. Cash and Investments

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2019, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 was \$32,702, which included \$12,933 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension/OPEB Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension/OPEB plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net Position

The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any net position restricted by enabling legislation at June 30, 2019.

L. Fund Balance

Fund balance is divided into five classifications 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 classifications are as follows:

Non-spendable – The non-spendable classification 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' includes items that are not expected to be converted to cash.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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 classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

M. Interfund Transactions

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

N. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	\$ 194,144
Encumbrances	(30,058)
Perspective Differences	<u>2,250</u>
Budgetary Basis	<u>\$ 166,336</u>

Note 4 - Deposits and Investments

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

Interim deposits are deposits of interim monies. Interim deposits 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to 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;

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 - Deposits and Investments (continued)

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 % 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; and
8. Certain bankers' acceptances (for a period not to exceed one hundred eight days) and commercial paper (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 % of the interim monies available for investment at any one time if training requirements have been met.

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.

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. Except as noted above, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 - Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of 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 be either insured or be protected by (1) eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 of deposits being secured (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of the 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 the State. For 2019, certain School District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS.

At fiscal year-end, the carrying amount of the School District's deposits was \$5,897,660. Cash balances per the bank were \$5,985,202. \$2,250,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2019, \$3,735,202 of the School District's bank balance of \$5,985,202 was collateralized.

Investments

The School District did not have any investments at June 30, 2019.

Note 5 - 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 year.

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 5 - Property Taxes (continued)

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

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$49,503,030	94.14%	\$49,502,780	93.14%
Public Utility Personal	3,082,380	5.86	3,646,040	6.86
Total	<u>\$52,585,410</u>	<u>100.00%</u>	<u>\$53,148,820</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$43.25		\$43.25	

Note 6 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 7 - 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 contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$5,000 deductible)	\$31,797,613
Boiler and Machinery (\$3,500 deductible)	250,000,000
Flood & Earthquake per occurrence/aggregate	1,000,000
Cyber Liability/Identity Theft (\$15,000 deductible)	2,000,000
Automobile Liability (per occurrence, \$1,000 deductible)	1,000,000
Money and Securities (per occurrence, \$5,000 deductible)	1,000,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$10,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Risk Management (continued)

Excess Liability – (occurrence/aggregate per district)	5,000,000
Sexual Abuse and Molestation	5,000,000
Violent Event (\$2,500 deductible)	100,000
Site Pollution (\$25,000 deductible)	1,000,000
Excess Property (per occurrence)	350,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2019, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

Note 8 - Defined Benefit Pension Plans

Net Pension Liability/Net OPEB Liability

The net pension/OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans (continued)

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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). The retirement systems may allocate a portion of the employer contributions to provide these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans (continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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

The School District's contractually required contribution to SERS was \$87,092 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans (continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the member rate was 14 percent of covered payroll. 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 \$304,500 fiscal year 2019.

Net Pension Liability

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0175765%	0.01687120%	
Current Measurement Date	<u>0.0185802%</u>	<u>0.01607723%</u>	
Change in Proportionate Share	0.0010037%	-0.00079397%	
Proportionate Share of the Net Pension Liability	\$1,064,122	\$3,535,022	\$4,599,144

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015 adopted by the Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
School District's proportionate share of the net pension liability	\$1,498,897	\$1,064,122	\$699,593

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation.

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

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

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

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

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans (continued)

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$5,162,434	\$3,535,022	\$2,157,638

Note 9 – Defined Benefit OPEB Plans

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

See Note 8 for a description of the net OPEB liability.

A. School Employees Retirement System

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.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans (continued)

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, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$11,732.

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 \$14,958 for fiscal year 2019.

B. State Teachers Retirement System (STRS)

Plan Description The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the year ended June 30, 2019, no employer allocation was made to the post-employment health care fund.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans (continued)

Net OPEB Liability (Asset)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.0178554%	0.01687118%	
Current Measurement Date	<u>0.0187883%</u>	<u>0.01607723%</u>	
Change in Proportionate Share	0.0009329%	-0.00079395%	
Proportionate Share of the Net OPEB Liability (Asset)	\$521,238	(\$258,000)	\$263,238

Actuarial Assumptions - SERS

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

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

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

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

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans (continued)

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.5 percent

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

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

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

The 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:

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans (continued)

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$632,482	\$521,238	\$433,154
	1% Decrease 6.25% decreasing to 3.75%	Current Discount Rate 7.25% decreasing to 4.75%	1% Increase 8.25% decreasing to 5.75%
School District's proportionate share of the net OPEB liability	\$420,544	\$521,238	\$654,576

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation.

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

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

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

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

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

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:

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans (continued)

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

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

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate The following tables represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$221,426)	(\$258,000)	(\$289,373)
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB asset	(\$287,622)	(\$258,000)	(\$228,611)

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 – Debt

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

	Amount Outstanding 6/30/18	Additions	Deletions	Amount Outstanding 6/30/19	Amount Due in One Year
Governmental Activities					
School Improvement Refunding Bonds:					
Capital Appreciation Bonds 4.25%, 4.33%	\$ 34,998	\$ -	\$ -	\$ 34,998	\$ 19,230
Accretion on CABs	255,622	63,755	-	319,377	195,770
Total School Improvement Refunding Bonds	290,620	63,755	-	354,375	215,000
Current Refunding Bonds, 3/16/2017					
Serial Bonds 2.0-2.25%	355,000	-	(70,000)	285,000	70,000
Term Bonds 2.75-3.5%	1,195,000	-	-	1,195,000	-
Capital Appreciation Bonds 2.1%, 2.3%	24,999	-	-	24,999	-
Accretion on CABs	16,767	22,102	-	38,869	-
Total School Improvement Refunding Bonds	1,591,766	22,102	(70,000)	1,543,868	70,000
Current Refunding Bonds, 9/7/2017					
Serial Bonds 2.0-2.375%	2,065,000	-	(240,000)	1,825,000	25,000
Capital Appreciation Bonds 1.75%, 1.85%	130,000	-	-	130,000	-
Accretion on CABs	17,519	27,755	-	45,274	-
Total Bond Premiums	2,212,519	27,755	(240,000)	2,000,274	25,000
Total Debt	\$ 4,094,905	\$ 113,612	\$ (310,000)	\$ 3,898,517	\$ 310,000

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). All the remaining term and serial bonds were refunded in fiscal year 2018. The capital appreciation bonds were accreted \$63,755 in fiscal year 2019.

On March 16, 2017, the School District issued \$1,604,999 in current refunding bonds, with interest rates ranging from 2-3.5%. \$385,000 of the bonds is serial bonds, \$1,195,000 is term bonds, and \$24,999 is capital appreciation bonds (maturity amount of \$75,000 and \$70,000 maturing December 1, 2020 and 2021, respectively).

On September 7, 2017, the School District issued \$2,210,000 in current refunding bonds, with interest rates ranging from 1.75-2.375%. The bond proceeds were used to advance refund \$2,210,000 of the school improvement bonds which had interest rates ranging from 4.0-4.2%. \$130,000 of the bonds are capital appreciation bonds with maturity values of \$25,000 maturing December 1, 2020 and \$240,000 maturing December 1, 2021.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 – Debt (continued)

The School District’s overall debt margin at June 30, 2019, was \$2,335,808 and the un-voted debt margin was \$53,149. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$114,230	\$277,745	\$391,975
2021	45,610	350,416	396,026
2022	125,157	265,867	391,024
2023	310,000	77,925	387,925
2024	320,000	71,625	391,625
2025-2029	1,705,000	250,863	1,955,863
2030-2034	460,000	112,100	572,100
2035-2038	415,000	29,663	444,663
Subtotal	<u>3,494,997</u>	<u>1,436,204</u>	<u>\$4,931,201</u>
Accretion on Bonds	403,520	(403,520)	
	<u>\$3,898,517</u>	<u>\$1,032,684</u>	

Note 11 – Fund Balance

Fund balance is classified as non-spendable, 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 below:

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Food Service Operations	\$ -	\$ -	\$ -	\$ 23,454	\$ 23,454
Classroom Maintenance	-	-	-	195,153	195,153
Athletics	-	-	-	10,542	10,542
Capital Improvements	-	-	1,014,512	-	1,014,512
Debt Service	-	1,047,410	-	-	1,047,410
Total Restricted	<u>-</u>	<u>1,047,410</u>	<u>1,014,512</u>	<u>229,149</u>	<u>2,291,071</u>
Assigned for:					
FY20 Appropriations	747,180	-	-	-	747,180
Unpaid Obligations	30,058	-	-	-	30,058
Public School Support	657	-	-	-	657
Total Assigned	<u>777,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>777,895</u>
Unassigned	2,787,271	-	-	-	2,787,271
Total Fund Balance	<u>\$ 3,565,166</u>	<u>\$ 1,047,410</u>	<u>\$ 1,014,512</u>	<u>\$ 229,149</u>	<u>\$ 5,856,237</u>

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 12 – Set-Aside Requirements

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

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

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	75,012
Current Year Offsets - Capital Facilities maintenance levy	(33,881)
Prior Year Offset from Bond Proceeds	(41,131)
Total Set-aside Balance as of June 30, 2019	\$0

The District had current year offsets that reduced the capital improvements set-aside. During prior fiscal years, the District issued \$4,500,500 and \$1,940,700 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,491,343 at June 30, 2019.

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. 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 governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2019, the School District paid \$28,960 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 240 school districts/organizations in 37 counties in Ohio and 2 in Kentucky. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2019, the School District paid \$23,738 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Midwest Regional Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Medical Mutual for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2019, Russia Local School District contributed \$563,818 from the General Fund. Financial information can be obtained from Larry Lentz, who serves as consultant to the group, Pinnacle Advisory Group, 462 Twelve Oaks Trail, Dayton, Ohio 45434.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program - The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2019, the School District paid \$23,738 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 – Tax Abatement Disclosures

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, the School District is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

The Village of Russia entered into an agreement with O’Francis Properties, LLC. Approval of the agreement by the Board of Education of Russia Local School District was not required pursuant to an exception set forth in Section 3735.671(A)(2) of the Ohio Revised Code. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2018, was \$2,267.

Note 15 – Interfund Transactions

The School District transferred \$200,000 from the General Fund to the Permanent Improvement Fund to fund future capital improvements. In addition, the Bond Retirement Fund transferred \$500,000 to the Permanent Improvement Fund to fund future capital improvements.

Russia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 16– Contingent Liabilities

Grants

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

Litigation

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

Foundation Funding

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

Note 17 – Compliance

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2019, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Note 18 – Change in Accounting Principles

For fiscal year 2019, the School District has implemented Governmental Accounting Standard Board Statement No. 83, “*Certain Asset Retirement Obligations*”. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2019, the School District has implemented GASB Statement No. 88, which improves the information that is disclosed in notes to governmental financial statements related to debt, including direct borrows and direct placements. The implementation of GASB 88 did not have an effect on the financial statements of the School District.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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

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

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Russia Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 18, 2020, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

November 18, 2020

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Failure to File GAAP - Noncompliance

Ohio Rev. Code § 117.38(A) provides that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Official's Response: We did not receive a response from Officials to this finding.

This page intentionally left blank.

Russia Local School

100 School Street
Russia, Ohio 45363-9811
www.russiaschool.org

Steven J. Rose, Superintendent
Marcus D. Bixler, Principal
Jean Borchers, Treasurer

(937) 526-3156
(937) 295-3454
Fax (937) 526-0045

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Ohio Rev. Code 117.38 & Ohio Admin. Code 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	Not addressed or fixed in current period	Repeated as finding 2020-001. First issued during FY15-FY16 audit as finding 2016-001.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



RUSSIA LOCAL SCHOOL DISTRICT

SHELBY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/15/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov