

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2019***



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Board of Education
Teays Valley Local School District
385 Circleville Avenue
Ashville, OH 43103

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

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 3, 2020

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Teays Valley Local 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 Teays Valley Local 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019 on our consideration of the Teays Valley Local 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 Teays Valley Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc
December 3, 2019

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position of governmental activities increased \$8,574,471 which represents a 27.69% increase from June 30, 2018's net position.
- General revenues accounted for \$47,592,391 in revenue or 86.07% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,704,916 or 13.93% for total revenues of \$55,297,307.
- The District had \$46,722,836 in expenses related to governmental activities; \$7,704,916 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$47,592,391 were adequate to provide for these programs.
- The District has two major funds which include the general fund and debt service fund. The general fund had \$45,475,925 in revenues and \$42,513,424 in expenditures and other financing uses. The general fund's fund balance increased \$2,960,789 from \$23,318,990 to \$26,279,779.
- The debt service fund had \$3,594,399 in revenues and \$2,876,517 in expenditures. The debt service fund's fund balance increased \$717,882 from \$3,035,477 to \$3,753,359.
- The District has \$75,317,756 in capital assets at June 30, 2019. This amount is net of accumulated depreciation in the amount of \$63,912,209. Fiscal year 2019 depreciation expense was \$4,890,174. Net investment in capital assets was \$46,952,165 at June 30, 2019.
- The District has \$81,783,864 in long-term liabilities outstanding at June 30, 2019. Of this total, \$2,300,083 is due within one year and \$79,483,781 is due in greater than one year.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and the debt service fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 21-22 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 23-27 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 28-29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-72 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 74-89 of this report.

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2019 and 2018.

| | Net Position | | |
|--|---|---|-----------------------------|
| | Governmental Activities <u>2019</u> | Governmental Activities <u>2018</u> | Percentage <u>Change</u> |
| <u>Assets</u> | | | |
| Current and other assets | \$ 54,007,812 | \$ 47,031,237 | 14.83 % |
| Net OPEB asset | 2,620,696 | - | 100.00 % |
| Capital assets, net | <u>75,317,756</u> | <u>78,185,941</u> | (3.67) % |
| Total assets | <u>131,946,264</u> | <u>125,217,178</u> | 5.37 % |
| <u>Deferred Outflows of Resources</u> | | | |
| Unamortized deferred charges on debt refunding | 747,849 | 804,209 | (7.01) % |
| Pension | 13,941,512 | 15,796,452 | (11.74) % |
| OPEB | <u>1,036,789</u> | <u>620,896</u> | 66.98 % |
| Total deferred outflows of resources | <u>15,726,150</u> | <u>17,221,557</u> | (8.68) % |
| <u>Liabilities</u> | | | |
| Current liabilities | 4,994,207 | 4,564,115 | 9.42 % |
| Long-term liabilities: | | | |
| Due within one year | 2,300,083 | 2,260,459 | 1.75 % |
| Due in more than one year: | | | |
| Net pension liability | 45,205,692 | 46,477,356 | (2.74) % |
| Net OPEB liability | 4,565,458 | 10,298,317 | (55.67) % |
| Other amounts | <u>29,712,631</u> | <u>31,916,564</u> | (6.91) % |
| Total liabilities | <u>86,778,071</u> | <u>95,516,811</u> | (9.15) % |
| <u>Deferred Inflows of Resources</u> | | | |
| Property taxes and PILOTs levied for next year | 14,031,787 | 13,216,789 | 6.17 % |
| Payment in lieu of taxes levied for the next fiscal year | 211,476 | - | 100.00 % |
| Pension | 2,667,639 | 1,573,969 | 69.48 % |
| OPEB | <u>4,440,151</u> | <u>1,162,347</u> | 282.00 % |
| Total deferred inflows of resources | <u>21,351,053</u> | <u>15,953,105</u> | 33.84 % |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 46,952,165 | 47,847,759 | (1.87) % |
| Restricted | 4,491,076 | 3,735,658 | 20.22 % |
| Unrestricted | <u>(11,899,951)</u> | <u>(20,614,598)</u> | (42.27) % |
| Total net position | <u>\$ 39,543,290</u> | <u>\$ 30,968,819</u> | 27.69 % |

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019 and June 30, 2018, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$39,543,290 and \$30,968,819, respectively. Net position increased \$8,574,471 from June 30, 2018.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Assets of the District increased \$6,729,086 or 5.37%. Current and other assets increased \$6,976,575 or 14.83%. This increase is due mainly to an increase in equity in pooled cash and investments and property taxes receivable. Equity in pooled cash and investments increased primarily due to increases in general fund revenues. Property taxes receivable increased due an increase in assessed values throughout the District. Capital assets decreased \$2,868,185 or 3.67% which is primarily a result of current year depreciation of \$4,890,174.

At year-end, capital assets represented 57.08% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets at June 30, 2019 and June 30, 2018, were \$46,952,165 and \$47,847,759, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 14 for more detail.

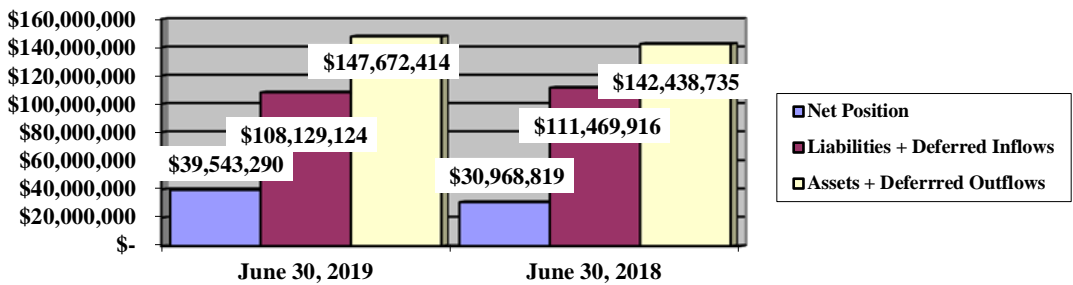
Total assets include a net OPEB asset reported by STRS. See Note 15 for more detail. STRS did not report a net pension asset in the prior year.

Total liabilities decreased \$8,738,740 or 9.15%. Current liabilities of the District increased \$430,092 or 9.42%. This increase is due to increases in accrued wages and benefits. The decrease of \$9,208,456 in long-term obligations is the result of a decrease in net pension liability and net OPEB liability due at fiscal year-end. These liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District's net position, \$4,491,076 represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$3,744,694 is restricted for debt service. The remaining balance of unrestricted net position is (\$11,899,951).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2019 and June 30, 2018.

Governmental Activities



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table below shows the change in net position for fiscal years 2019 and 2018.

| | Governmental Activities <u>2019</u> | Governmental Activities <u>2018</u> | <u>Percentage Change</u> |
|--|---|---|------------------------------|
| <u>Revenues</u> | | | |
| Program revenues: | | | |
| Charges for services and sales | \$ 2,060,597 | \$ 2,428,924 | (15.16) % |
| Operating grants and contributions | 4,719,234 | 4,223,513 | 11.74 % |
| Capital grants and contributions | 925,085 | - | 100.00 % |
| General revenues: | | | |
| Property taxes | 17,206,676 | 12,608,499 | 36.47 % |
| Income taxes | 7,955,985 | 7,352,565 | 8.21 % |
| Payment in lieu of taxes | 154,028 | 113,046 | 36.25 % |
| Grants and entitlements not restricted | 21,450,872 | 20,561,554 | 4.33 % |
| Investment earnings | 763,114 | 229,562 | 232.42 % |
| Other | 61,716 | 51,873 | 18.98 % |
| Total revenues | <u>55,297,307</u> | <u>47,569,536</u> | 16.25 % |
| <u>Expenses</u> | | | |
| Program expenses: | | | |
| Instruction: | | | |
| Regular | 20,798,569 | 12,490,179 | 66.52 % |
| Special | 5,253,067 | 2,300,607 | 128.33 % |
| Vocational | 295,197 | 228,990 | 28.91 % |
| Other | 2,358,311 | 1,804,387 | 30.70 % |
| Support services: | | | |
| Pupil | 1,576,501 | 748,080 | 110.74 % |
| Instructional staff | 529,543 | 415,383 | 27.48 % |
| Board of education | 150,893 | 209,128 | (27.85) % |
| Administration | 2,769,735 | 1,473,587 | 87.96 % |
| Fiscal | 1,114,100 | 805,970 | 38.23 % |
| Business | 535,695 | 331,267 | 61.71 % |
| Operations and maintenance | 4,868,309 | 3,140,804 | 55.00 % |
| Pupil transportation | 2,485,657 | 1,697,402 | 46.44 % |
| Central | 551,349 | 742,937 | (25.79) % |
| Operations of non-instructional services | | | |
| Other non-instructional services | 39,516 | 38,247 | 3.32 % |
| Food service operations | 1,509,898 | 1,132,989 | 33.27 % |
| Extracurricular activities | 1,027,830 | 719,770 | 42.80 % |
| Interest and fiscal charges | 858,666 | 896,730 | (4.24) % |
| Total expenses | <u>46,722,836</u> | <u>29,176,457</u> | 60.14 % |
| Change in net position | 8,574,471 | 18,393,079 | (53.38) % |
| Net position, beginning of year | <u>30,968,819</u> | <u>12,575,740</u> | 146.26 % |
| Net position, end of year | <u>\$ 39,543,290</u> | <u>\$ 30,968,819</u> | 27.69 % |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Governmental Activities

Net position of the District's governmental activities increased \$8,574,471 in fiscal year 2019 and increased \$18,393,079 in fiscal year 2018. The overall increase in net position in fiscal year 2019 can be attributed mainly to increases in revenues that exceed a large decrease in expenses as described below. Total governmental expenses of \$46,722,836 were offset by program revenues of \$7,704,916 and general revenues of \$47,592,391 during fiscal year 2019. Program revenues supported 16.49% of the total governmental expenses during fiscal year 2019.

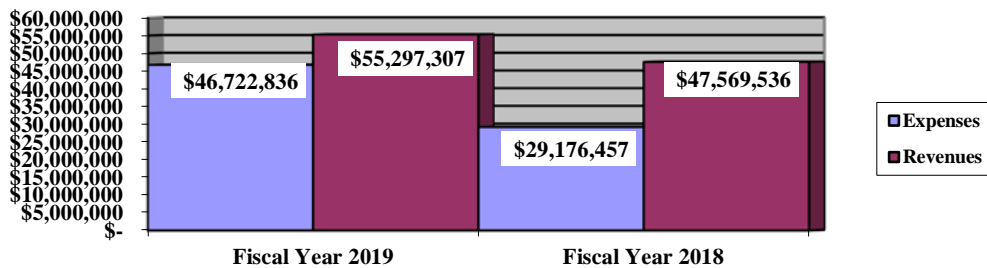
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources account for 84.30% of total governmental revenue. Real estate property is reappraised every six years. The latest reappraisal by Pickaway County was in 2011. Property tax and income tax revenue increased \$5,201,597 or 26.06% during fiscal year 2019. The increase in property tax revenues can be attributed to a difference in amounts available for advance from the County Auditor at year-end. The increase in income tax revenues is the result of a strengthening economy and additional business throughout the District. Grants and entitlements increased due to additional funds received through the State's foundation program. The District saw increased in the opportunity grant and targeted assistance.

Overall, expenses of the governmental activities increased \$17,546,379 or 60.14%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the District reported \$5,205,469 and (\$14,053,147) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported (\$5,363,390) and (\$1,592,559) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$15,803,627. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The District's total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expense

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2019 and 2018.

Governmental Activities - Revenues and Expenses



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

| Governmental Activities | | | | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | <u>2019</u> | <u>2019</u> | <u>2018</u> | <u>2018</u> |
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 20,798,569 | \$ 19,674,522 | \$ 12,490,179 | \$ 11,029,624 |
| Special | 5,253,067 | 2,289,864 | 2,300,607 | (322,804) |
| Vocational | 295,197 | 70,878 | 228,990 | 3,927 |
| Other | 2,358,311 | 2,329,529 | 1,804,387 | 1,777,270 |
| Support services: | | | | |
| Pupil | 1,576,501 | 1,505,073 | 748,080 | 716,212 |
| Instructional staff | 529,543 | 427,577 | 415,383 | 364,174 |
| Board of education | 150,893 | 150,893 | 209,128 | 209,128 |
| Administration | 2,769,735 | 2,563,998 | 1,473,587 | 1,283,102 |
| Fiscal | 1,114,100 | 1,105,394 | 805,970 | 805,970 |
| Business | 535,695 | 535,695 | 331,267 | 331,267 |
| Operations and maintenance | 4,868,309 | 4,735,052 | 3,140,804 | 3,029,350 |
| Pupil transportation | 2,485,657 | 2,436,494 | 1,697,402 | 1,648,239 |
| Central | 551,349 | 538,749 | 742,937 | 730,337 |
| Operations of non-instructional services: | | | | |
| Other non-instructional services | 39,516 | 33,101 | 38,247 | 38,247 |
| Food service operations | 1,509,898 | (20,121) | 1,132,989 | (382,779) |
| Extracurricular activities | 1,027,830 | (217,444) | 719,770 | 366,026 |
| Interest and fiscal charges | <u>858,666</u> | <u>858,666</u> | <u>896,730</u> | <u>896,730</u> |
| Total | <u>\$ 46,722,836</u> | <u>\$ 39,017,920</u> | <u>\$ 29,176,457</u> | <u>\$ 22,524,020</u> |

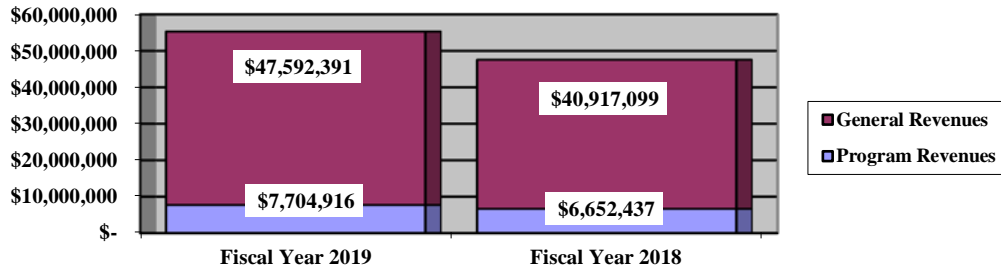
The dependence upon tax and other general revenues for governmental activities is apparent; 84.88% of instruction activities were supported through taxes and other general revenues during fiscal year 2019. For all governmental activities, general revenue support was 83.51% in fiscal year 2019. The District's taxpayers and grants and entitlements are by far the primary support for District students.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The graph below presents the District's governmental activities revenues for fiscal years 2019 and 2018.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$32,456,686, which is higher than last year's total of \$28,175,701. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

| | Fund Balance <u>June 30, 2019</u> | Fund Balance <u>June 30, 2018</u> | <u>Change</u> | Percentage <u>Change</u> |
|--------------------|--------------------------------------|--------------------------------------|---------------------|-----------------------------|
| General | \$ 26,279,779 | \$ 23,318,990 | \$ 2,960,789 | 12.70 % |
| Debt Service | 3,753,359 | 3,035,477 | 717,882 | 23.65 % |
| Other Governmental | <u>2,423,548</u> | <u>1,821,234</u> | <u>602,314</u> | 33.07 % |
| Total | <u>\$ 32,456,686</u> | <u>\$ 28,175,701</u> | <u>\$ 4,280,985</u> | 15.19 % |

General Fund

During fiscal year 2019, the District's general fund balance increased by \$2,960,789. The District has maintained a judicious approach to spending which has helped the District achieve modest reserves. These reserves become critical as continued growth within the District is expected. Tax revenues increased by \$4,155,262. The increase in property tax revenues can be attributed to the difference in amounts available for advance from the County Auditor at year-end. The increase in income tax revenues is the result of a strengthening economy and additional business throughout the District. Intergovernmental revenues increased \$1,132,178 or 5.13% due to higher state foundation revenue in the general fund.

Expenditures of the general fund increased \$1,570,484. The most significant increases were in the areas of support services and instruction. These increases were the results of increases in salaries and benefits paid to employees.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | <u>2019</u> <u>Amount</u> | <u>2018</u> <u>Amount</u> | <u>Change</u> | <u>Percentage</u> <u>Change</u> |
|--|------------------------------|------------------------------|---------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 20,309,299 | \$ 16,154,037 | \$ 4,155,262 | 25.72 % |
| Tuition | 686,144 | 1,125,103 | (438,959) | (39.02) % |
| Earnings on investments | 756,338 | 248,170 | 508,168 | 204.77 % |
| Intergovernmental | 23,210,889 | 22,078,711 | 1,132,178 | 5.13 % |
| Other revenues | <u>513,255</u> | <u>404,855</u> | <u>108,400</u> | 26.78 % |
| Total | <u>\$ 45,475,925</u> | <u>\$ 40,010,876</u> | <u>\$ 5,465,049</u> | 13.66 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 25,929,876 | \$ 24,564,021 | \$ 1,365,855 | 5.56 % |
| Support services | 13,338,090 | 13,173,852 | 164,238 | 1.25 % |
| Operation of non-instructional services | 44,614 | 49,129 | (4,515) | (9.19) % |
| Extracurricular activities | 669,753 | 627,547 | 42,206 | 6.73 % |
| Facilities acquisition and construction | 2,700 | - | 2,700 | 100.00 % |
| Debt service | <u>82,898</u> | <u>82,898</u> | <u>-</u> | - % |
| Total | <u>\$ 40,067,931</u> | <u>\$ 38,497,447</u> | <u>\$ 1,570,484</u> | 4.08 % |

Debt Service Fund

During fiscal year 2019, the debt service fund had revenues of \$3,594,399 and expenditures of \$2,876,517. During fiscal year 2019, the debt service fund balance increased \$717,882. The increase in fund balance is the result of revenues exceeding scheduled principal and interest payments on general obligation bonds.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$43,322,203 were \$2,568,430 higher than the original budgeted revenues and other financing sources estimate of \$40,753,773. Actual revenues and other financing sources were \$43,322,203.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$62,712,202. Final appropriations and other financing uses were \$42,759,910 which was \$19,952,292 lower than original appropriations. Actual expenditures and other financing uses was \$42,759,910.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$75,317,756 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following table shows June 30, 2019 balances compared to June 30, 2018.

| Capital Assets at June 30 (Net of Depreciation) | | |
|--|-----------------------------|-----------------------------|
| <u>Governmental Activities</u> | | |
| | <u>2019</u> | <u>2018</u> |
| Land | \$ 3,020,415 | \$ 3,020,415 |
| Construction in progress | 236,831 | - |
| Land improvements | 5,859,689 | 5,442,165 |
| Buildings and improvements | 61,369,398 | 64,708,500 |
| Furniture and equipment | 3,291,089 | 3,595,962 |
| Vehicles | 1,325,351 | 1,188,803 |
| Infrastructure | <u>214,983</u> | <u>230,096</u> |
| Total | <u>\$ 75,317,756</u> | <u>\$ 78,185,941</u> |

The capital assets decreased \$2,868,185. This is due to depreciation expense of \$4,890,174 and disposals (net of accumulated depreciation) of \$3,221 exceeding current year additions of \$1,788,379.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2019, the District had \$26,847,100 in general obligation bonds and capital lease obligations outstanding. The general obligation bond issues are comprised of current issue bonds. Of this total, \$1,975,881 is due within one year and \$24,871,219 is due in greater than one year.

The following table summarizes the bonds and capital lease obligations outstanding.

| Outstanding Debt, at Year End | | |
|--------------------------------------|---|---|
| | Governmental Activities <u>2019</u> | Governmental Activities <u>2018</u> |
| Series 2015 refunding bonds | \$ 12,285,000 | \$ 13,440,000 |
| Series 2016A refunding bonds | 7,765,000 | 8,145,000 |
| Series 2016B refunding bonds | 6,715,000 | 7,035,000 |
| Capital lease obligations | <u>82,100</u> | <u>159,494</u> |
| Total | <u>\$ 26,847,100</u> | <u>\$ 28,779,494</u> |

During fiscal year 2006, the District refunded a portion of the 2000 series general obligation bonds on July 28, 2006. The annual interest rate ranges from 3.00% to 5.00% and the bonds are scheduled to mature in fiscal year 2028.

On March 22, 2007 and April 24, 2007, the District issued Series 2007 A and Series 2007 B general obligation bonds for a classroom facilities project. The annual interest rates range from 4.00% to 4.30% and the bonds are scheduled to mature in fiscal year 2035.

During fiscal year 2016, the District issued Series 2015, 2016A and 2016B to refund the District's previous general obligation bond debt. The new refunding bonds carry interest rates ranging from 2.00-4.00% and mature in fiscal year 2035.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The District’s most recent bond issue maintained a Moody’s Investors Service rating of Aa2.

See Note 11 to the basic financial statements for detail on the District’s debt administration.

Current Financial Related Activities

Over the past five fiscal years (2015-2019) District’s has grown its cash balance reserves, which provides the District time to react to changing economic conditions. Tax collections from the replacement income tax issue are now being fully collected, and continued spending restraint has addressed past operational shortfalls. Of particular significance, the District approved a collaborative bargaining agreement covering fiscal year 2020 through fiscal year 2022 that has had a positive impact on the District’s financial stability.

While the District’s current financial outlook is stable, the Board and District leadership team understand finances must be continually monitored. Maintaining financial sustainability is a continual process with the goal of providing the best possible education for the District’s children.

Some of the primary factors currently influencing the financial outlook of the District are recapped below:

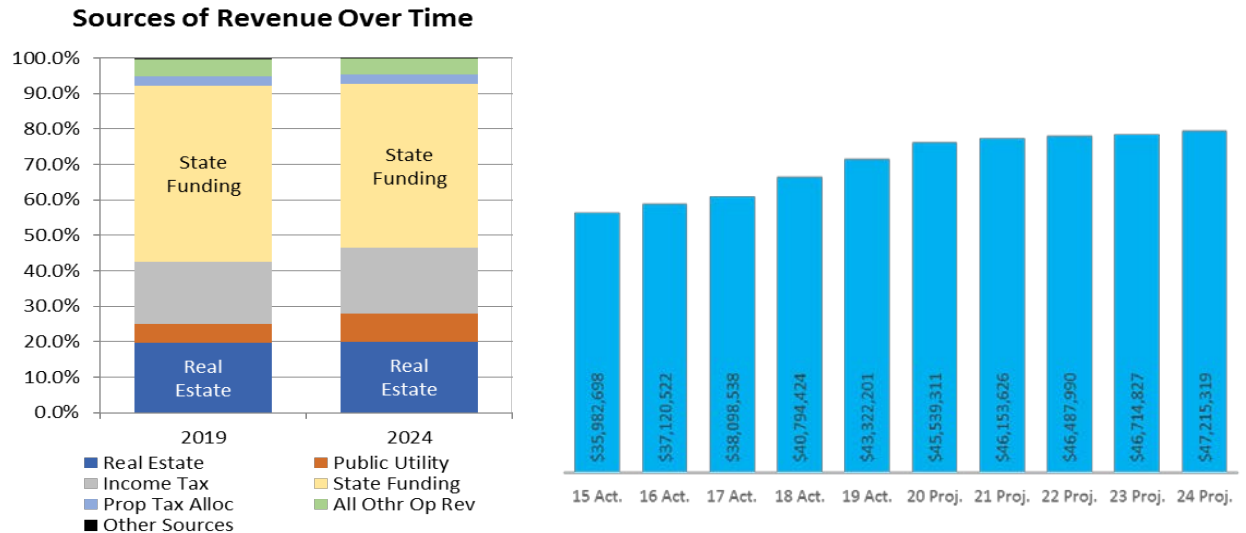
Enrollment:

Prior to the 2008 economic downturn, enrollment within the District had been growing by approximately a hundred students per year. From 2008 to 2012 enrollment slowed, which directly correlated to subdued residential housing growth. Beginning in 2013, enrollment growth began to pick back up and the District gained 250 additional students by the end of 2018. Birth rate data obtained from the 2010 census combined with grade-level retention trends indicate the District can expect enrollment to continue to grow at a moderate pace through fiscal year 2024. Enrollment growth impacts both sides of the District’s finances (revenue and expenditures).

Overall Revenue:

The District receives revenue from a healthy mix of state and local funding sources. While state funding is responsible for a little more half of the District’s overall revenue, local funding sources like real estate, tangible taxes and school income taxes supply a majority of the remainder. A mixture of revenue sources is a positive for the District in the event any one component becomes stagnate.

The graphic below recaps the District’s revenue sources for fiscal year 2019 and what it is expected to be in fiscal year 2020.



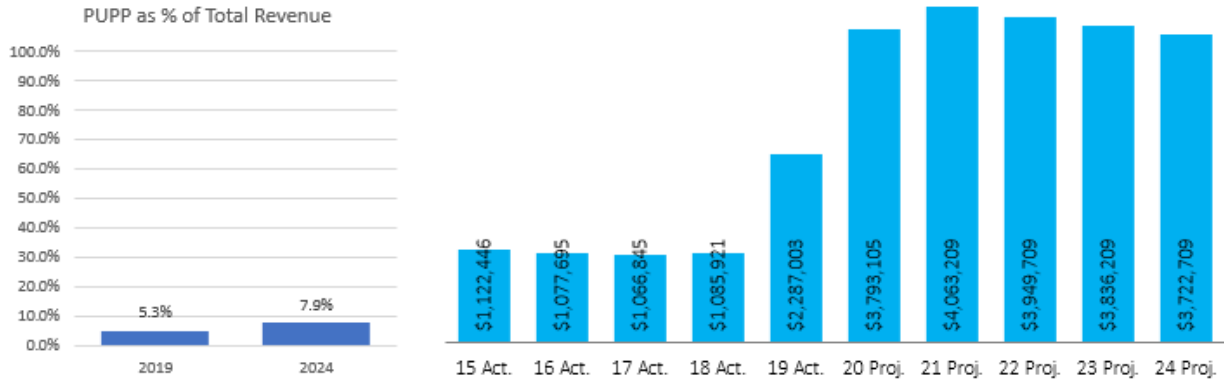
**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Overall revenue growth is anticipated to remain healthy the next few fiscal years. Much of the anticipated growth is expected to be fueled by gains in Public Utility Tangible property taxes combined with continued growth in local income tax collections and state funding. The District's operational revenue is expected to increase 1.75% on average for the period fiscal year 2020 through fiscal year 2024.

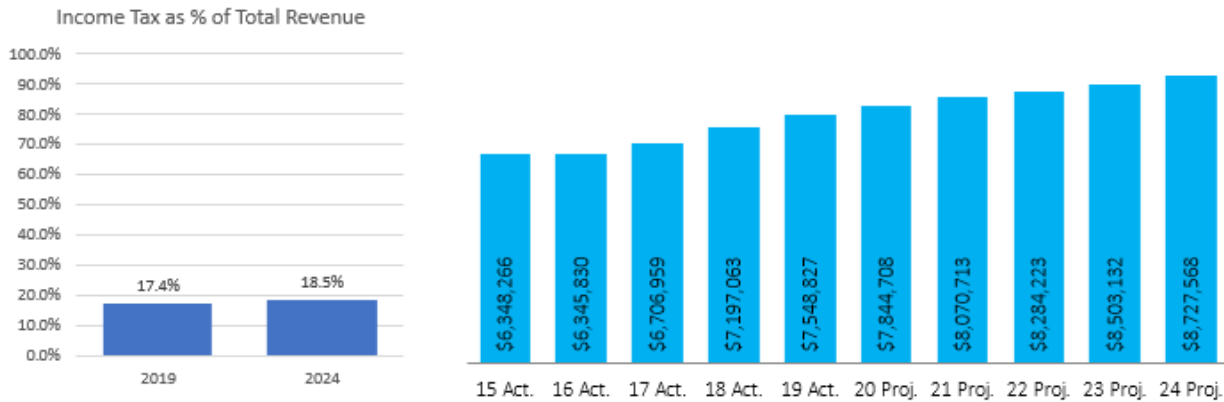
Public Utility Personal Tangible Taxes:

A compressor station was added to the REX pipeline in 2018 for tax collection in 2019 adding over \$100 million in new taxable value to the District's tax duplicate. Half of the overall growth in collections was realized in fiscal 2019, while the remaining half year growth is anticipated in fiscal 2020. Beginning in 2021, the forecast assumes PUPP values will gradually decline due to depreciation, which explains the decline in associated revenue.



Replacement Income Tax Issue:

To preserve programming and educational opportunities, the Board proposed and passed a 1.5% replacement income tax issue in March 2012. The issue replaced a continuing 0.75% traditional income tax levy. The replacement issue ramped-up to full collection in fiscal year 2015 and is supplying significant additional revenue to support educational programming within the District. Since 2012, collections have more than doubled despite the fact the tax now only applies to "earned" income. The forecast calls for a continued upward trend in collections.

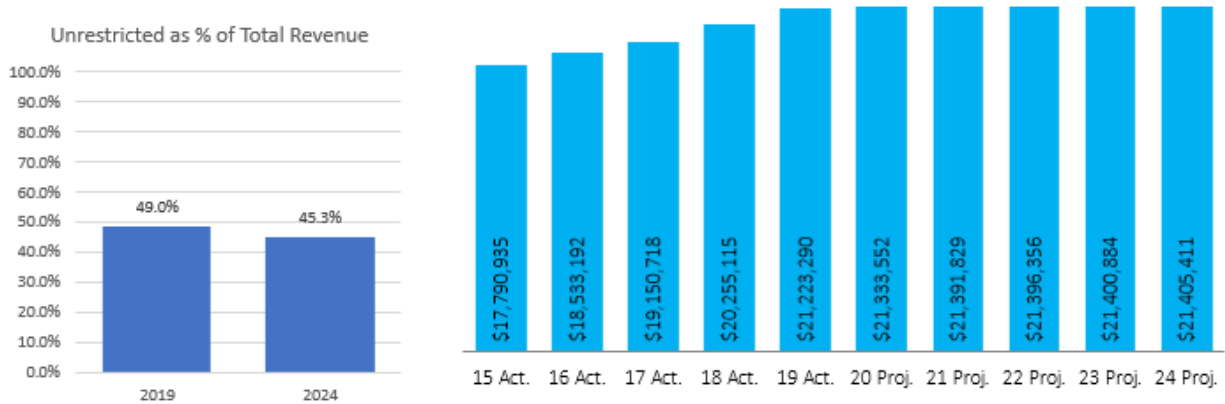


**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

State Budget:

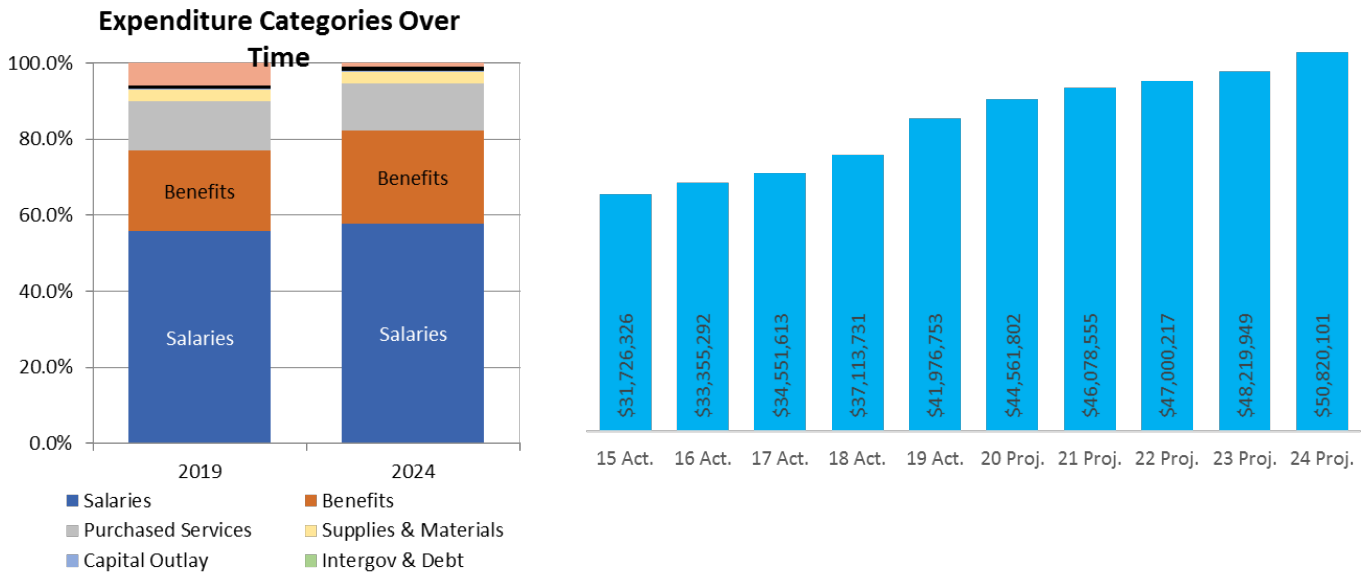
The FY2019 state foundation revenue total is the base aid amount used in fiscal year 2020 and fiscal year 2021 according to the new state budget. In addition to the fiscal year 2019 base funding, the District is projected to receive additional categorical funding of \$381,647 in fiscal year 2020. However, these funds are required to be recorded in a special revenue fund and are not included in the General Fund (or in the graph below). Since a district's local property tax wealth has played a large role in allocating state resources in the past, the additional Public Utility tax value will have downward pressure on Teays Valley's calculated aid. Simply stated, the higher the district's tax values (local capacity), the lower the state aid. Therefore, the District expects future state funding levels to remain flat due to its recent local property valuation growth.



Overall Expenses:

Spending is expected to be maintained within sustainable levels.

The graphic below recaps where the District expects allocates its spending for fiscal year 2019.

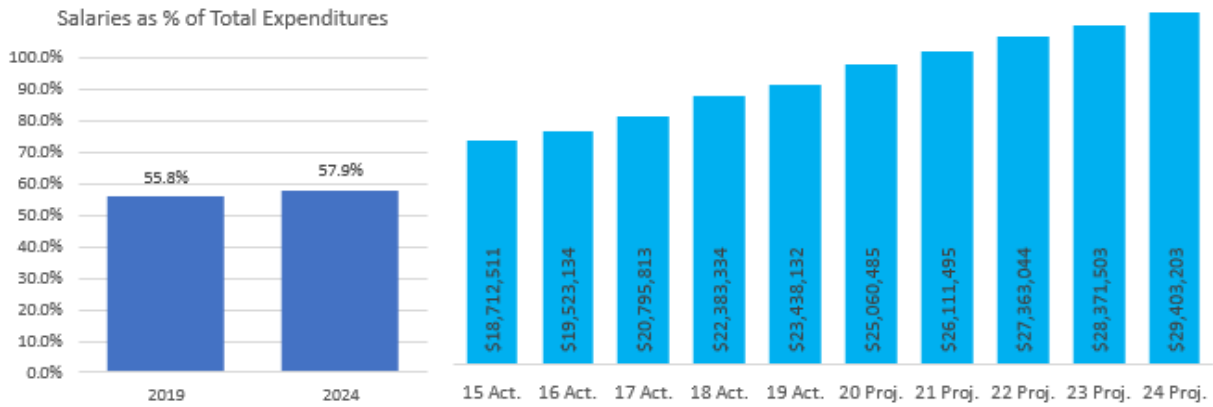


**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Staffing & Collective Bargaining:

During the spring of 2019, the District and staff reached agreement on a contract to cover fiscal year 2020 – fiscal year 2022. Elements of the agreement included a continuation of the District’s current health insurance program which enabled affordable base wage increases for employees (3%, 2.5% and 2% respectively for each year covered by the new agreement). Since fiscal year 2014, the District has strategically added additional teaching staff and support personnel to accommodate growing enrollment, to replace positions lost during the economic crisis (2009 – 2013), and to simply improve the instruction and overall educational program offered students.

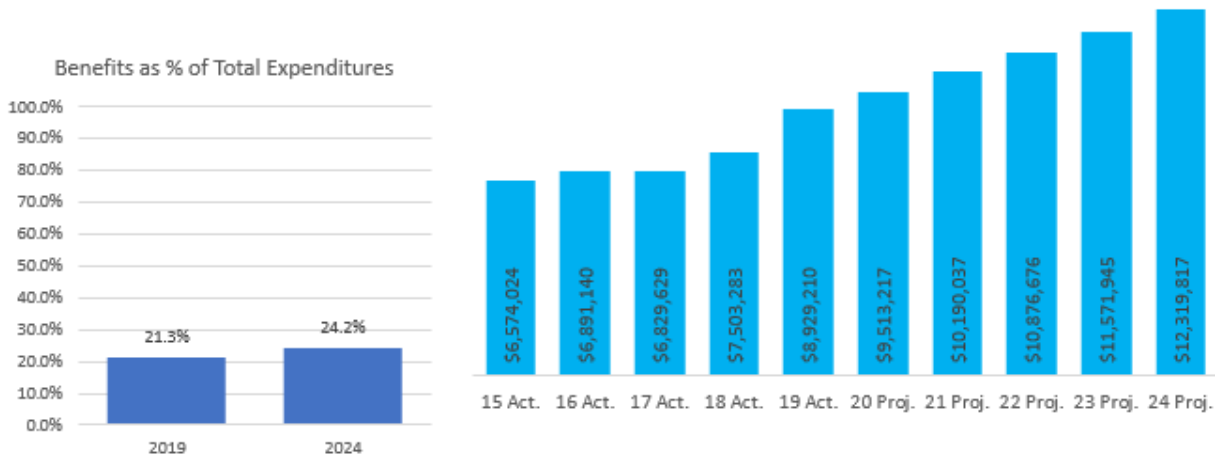


Health Insurance:

Since switching to a high deductible health insurance plan in 2014, the District has enjoyed stable insurance premiums and maintained healthy reserves. Beginning in fiscal year 2018 though, premiums returned to more typical industry-trend levels and fiscal year 2019 spending was impacted as a result of HSA Board contributions returned to the General Fund after two years of being funded from accumulated insurance reserves. The forecast assumes future premiums will continue to increase at industry-wide trends, but the District’s insurance consortium continues to look for new opportunities to promote health and wellness and provide incentives to help mitigate those trend increases.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**



Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Stacy Overly, Treasurer, Teays Valley Local School District, 385 Circleville Avenue, Ashville, OH 43103-9417.

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2019

| | <u>Governmental Activities</u> |
|--|---|
| Assets: | |
| Equity in pooled cash and investments. | \$ 32,061,270 |
| Receivables: | |
| Property taxes | 17,120,804 |
| Income taxes. | 2,891,770 |
| Payment in lieu of taxes | 211,476 |
| Accrued interest | 153,932 |
| Intergovernmental | 699,394 |
| Pledged donations | 672,334 |
| Insurance recoveries | 25,654 |
| Prepayments | 75,388 |
| Materials and supplies inventory. | 59,751 |
| Inventory held for resale. | 36,039 |
| Net OPEB asset | 2,620,696 |
| Capital assets: | |
| Nondepreciable capital assets | 3,257,246 |
| Depreciable capital assets, net. | <u>72,060,510</u> |
| Capital assets, net | <u>75,317,756</u> |
| Total assets. | <u>131,946,264</u> |
| Deferred outflows of resources: | |
| Unamortized deferred charges on debt refunding | 747,849 |
| Pension | 13,941,512 |
| OPEB | <u>1,036,789</u> |
| Total deferred outflows of resources | <u>15,726,150</u> |
| Liabilities: | |
| Accounts payable. | 241,949 |
| Contracts payable. | 83,529 |
| Accrued wages and benefits payable | 3,660,504 |
| Intergovernmental payable | 155,860 |
| Pension and postemployment benefits payable | 616,560 |
| Accrued interest payable | 76,626 |
| Pollution remediation obligation payable | 159,179 |
| Long-term liabilities: | |
| Due within one year. | 2,300,083 |
| Due in more than one year: | |
| Net pension liability | 45,205,692 |
| Net OPEB liability. | 4,565,458 |
| Other amounts due in more than one year | <u>29,712,631</u> |
| Total liabilities | <u>86,778,071</u> |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year. | 14,031,787 |
| Payment in lieu of taxes levied for the next fiscal year | 211,476 |
| Pension | 2,667,639 |
| OPEB | <u>4,440,151</u> |
| Total deferred inflows of resources | <u>21,351,053</u> |
| Net position: | |
| Net investment in capital assets | 46,952,165 |
| Restricted for: | |
| Classroom facilities maintenance | 254,253 |
| Debt service. | 3,744,694 |
| Locally funded programs | 15,606 |
| Student activities | 94,584 |
| Other purposes | 381,939 |
| Unrestricted (deficit) | <u>(11,899,951)</u> |
| Total net position. | <u>\$ 39,543,290</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u> |
|--|----------------------|---|---|---|--|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 20,798,569 | \$ 906,748 | \$ 217,299 | \$ - | \$ (19,674,522) |
| Special | 5,253,067 | 30,938 | 2,932,265 | - | (2,289,864) |
| Vocational | 295,197 | - | 224,319 | - | (70,878) |
| Other | 2,358,311 | - | 28,782 | - | (2,329,529) |
| Support services: | | | | | |
| Pupil | 1,576,501 | 14,745 | 56,683 | - | (1,505,073) |
| Instructional staff | 529,543 | 26,509 | 75,457 | - | (427,577) |
| Board of education | 150,893 | - | - | - | (150,893) |
| Administration | 2,769,735 | - | 205,737 | - | (2,563,998) |
| Fiscal | 1,114,100 | - | 8,706 | - | (1,105,394) |
| Business | 535,695 | - | - | - | (535,695) |
| Operations and maintenance | 4,868,309 | 13,944 | 119,313 | - | (4,735,052) |
| Pupil transportation | 2,485,657 | - | 49,163 | - | (2,436,494) |
| Central | 551,349 | - | 12,600 | - | (538,749) |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 39,516 | 6,415 | - | - | (33,101) |
| Food service operations | 1,509,898 | 779,736 | 750,283 | - | 20,121 |
| Extracurricular activities | 1,027,830 | 281,562 | 38,627 | 925,085 | 217,444 |
| Interest and fiscal charges | 858,666 | - | - | - | (858,666) |
| Total governmental activities | \$ 46,722,836 | \$ 2,060,597 | \$ 4,719,234 | \$ 925,085 | (39,017,920) |
| General revenues: | | | | | |
| Property taxes levied for: | | | | | |
| General purposes | | | | | 12,560,228 |
| Debt service | | | | | 3,241,913 |
| Capital projects | | | | | 1,404,535 |
| Payments in lieu of taxes | | | | | 154,028 |
| Income taxes levied for: | | | | | |
| General purposes | | | | | 7,787,630 |
| Classroom facilities maintenance | | | | | 168,355 |
| Grants and entitlements not restricted to specific programs | | | | | 21,450,872 |
| Investment earnings | | | | | 763,114 |
| Miscellaneous | | | | | 61,716 |
| Total general revenues | | | | | 47,592,391 |
| Change in net position | | | | | 8,574,471 |
| Net position at beginning of year | | | | | 30,968,819 |
| Net position at end of year | | | | | \$ 39,543,290 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | General | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|-----------------------------------|--------------------------------|
| Assets: | | | | |
| Equity in pooled cash and investments. | \$ 26,289,745 | \$ 3,259,461 | \$ 2,512,064 | \$ 32,061,270 |
| Receivables: | | | | |
| Property taxes. | 12,824,527 | 3,044,454 | 1,251,823 | 17,120,804 |
| Income taxes. | 2,891,770 | - | - | 2,891,770 |
| Payment in lieu of taxes. | 211,476 | - | - | 211,476 |
| Accrued interest. | 153,801 | - | 131 | 153,932 |
| Intergovernmental. | 699,394 | - | - | 699,394 |
| Pledged donations. | - | - | 672,334 | 672,334 |
| Insurance recoveries. | - | - | 25,654 | 25,654 |
| Prepayments. | 75,388 | - | - | 75,388 |
| Materials and supplies inventory. | 52,541 | - | 7,210 | 59,751 |
| Inventory held for resale. | - | - | 36,039 | 36,039 |
| Total assets. | <u>\$ 43,198,642</u> | <u>\$ 6,303,915</u> | <u>\$ 4,505,255</u> | <u>\$ 54,007,812</u> |
| Liabilities: | | | | |
| Accounts payable. | \$ 218,682 | \$ - | \$ 23,267 | \$ 241,949 |
| Contracts payable. | - | - | 83,529 | 83,529 |
| Accrued wages and benefits payable. | 3,591,446 | - | 69,058 | 3,660,504 |
| Compensated absences payable. | 17,162 | - | - | 17,162 |
| Intergovernmental payable. | 154,657 | - | 1,203 | 155,860 |
| Pension and postemployment benefits payable. | 593,838 | - | 22,722 | 616,560 |
| Pollution remediation obligation payable. | - | - | 159,179 | 159,179 |
| Total liabilities. | <u>4,575,785</u> | <u>-</u> | <u>358,958</u> | <u>4,934,743</u> |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next fiscal year. | 10,552,506 | 2,482,595 | 996,686 | 14,031,787 |
| Payment in lieu of taxes levied for the next fiscal year. | 211,476 | - | - | 211,476 |
| Delinquent property tax revenue not available. | 286,279 | 67,961 | 27,944 | 382,184 |
| Income tax revenue not available. | 559,178 | - | - | 559,178 |
| Accrued interest not available. | 34,650 | - | 131 | 34,781 |
| Miscellaneous revenue not available. | 698,989 | - | 697,988 | 1,396,977 |
| Total deferred inflows of resources. | <u>12,343,078</u> | <u>2,550,556</u> | <u>1,722,749</u> | <u>16,616,383</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Materials and supplies inventory. | 52,541 | - | 7,210 | 59,751 |
| Prepays. | 75,388 | - | - | 75,388 |
| Unclaimed monies. | 10,120 | - | - | 10,120 |
| Restricted: | | | | |
| Debt service. | - | 3,753,359 | - | 3,753,359 |
| Classroom facilities maintenance. | - | - | 254,253 | 254,253 |
| Food service operations. | - | - | 304,645 | 304,645 |
| Other purposes. | - | - | 139,709 | 139,709 |
| Extracurricular activities. | - | - | 94,584 | 94,584 |
| Committed: | | | | |
| Capital improvements. | - | - | 1,623,147 | 1,623,147 |
| Underground storage tank. | 11,000 | - | - | 11,000 |
| Assigned: | | | | |
| Student instruction. | 106,684 | - | - | 106,684 |
| Student and staff support. | 646,327 | - | - | 646,327 |
| Extracurricular activities. | 2,135 | - | - | 2,135 |
| Subsequent year's appropriations. | 22,520,724 | - | - | 22,520,724 |
| Unassigned. | 2,854,860 | - | - | 2,854,860 |
| Total fund balances. | <u>26,279,779</u> | <u>3,753,359</u> | <u>2,423,548</u> | <u>32,456,686</u> |
| Total liabilities, deferred inflows and fund balances. | <u>\$ 43,198,642</u> | <u>\$ 6,303,915</u> | <u>\$ 4,505,255</u> | <u>\$ 54,007,812</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

| | | | |
|---|----|--------------|--------------------------|
| Total governmental fund balances | | \$ | 32,456,686 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 75,317,756 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 382,184 | |
| Income taxes receivable | | 559,178 | |
| Accrued interest receivable | | 34,781 | |
| Intergovernmental receivable | | 698,989 | |
| Pledged donations | | 672,334 | |
| Insurance recoveries | | 25,654 | |
| Total | | 2,373,120 | 2,373,120 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | | (2,182,811) |
| Unamortized amounts on refundings are not recognized in the funds. | | | 747,849 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (76,626) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds: | | | |
| Deferred outflows of resources - pension | | 13,941,512 | |
| Deferred inflows of resources - pension | | (2,667,639) | |
| Net pension liability | | (45,205,692) | |
| Total | | (33,931,819) | (33,931,819) |
| The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds: | | | |
| Deferred outflows of resources - OPEB | | 1,036,789 | |
| Deferred inflows of resources - OPEB | | (4,440,151) | |
| Net OPEB asset | | 2,620,696 | |
| Net OPEB liability | | (4,565,458) | |
| Total | | (5,348,124) | (5,348,124) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | | (26,765,000) | |
| Capital lease obligations | | (82,100) | |
| Compensated absences | | (2,965,641) | |
| Total | | (29,812,741) | (29,812,741) |
| Net position of governmental activities | | \$ | <u>39,543,290</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-------------------------|--|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 12,608,562 | \$ 3,273,019 | \$ 1,414,381 | \$ 17,295,962 |
| Income taxes | 7,700,737 | - | 168,355 | 7,869,092 |
| Payment in lieu of taxes | 154,028 | - | - | 154,028 |
| Tuition | 686,144 | - | - | 686,144 |
| Earnings on investments | 756,338 | - | 8,390 | 764,728 |
| Charges for services | - | - | 802,565 | 802,565 |
| Extracurricular | 122,693 | - | 274,377 | 397,070 |
| Classroom materials and fees | 172,968 | - | - | 172,968 |
| Rental income | 1,850 | - | - | 1,850 |
| Contributions and donations | 20,933 | - | 409,960 | 430,893 |
| Other local revenues | 40,783 | - | 9,883 | 50,666 |
| Intergovernmental - intermediate | 1,652 | 233 | 111,231 | 113,116 |
| Intergovernmental - state | 22,741,766 | 321,147 | 254,665 | 23,317,578 |
| Intergovernmental - federal | 467,471 | - | 2,266,556 | 2,734,027 |
| Total revenues | 45,475,925 | 3,594,399 | 5,720,363 | 54,790,687 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 18,539,357 | - | 596,890 | 19,136,247 |
| Special | 4,676,971 | - | 1,164,228 | 5,841,199 |
| Vocational | 284,037 | - | - | 284,037 |
| Other | 2,429,511 | - | 28,782 | 2,458,293 |
| Support services: | | | | |
| Pupil | 1,707,846 | - | 86,608 | 1,794,454 |
| Instructional staff | 468,911 | - | 61,254 | 530,165 |
| Board of education | 150,777 | - | - | 150,777 |
| Administration | 2,940,360 | - | 218,720 | 3,159,080 |
| Fiscal | 1,118,414 | 41,179 | 21,563 | 1,181,156 |
| Business | 241,707 | - | 136,363 | 378,070 |
| Operations and maintenance | 3,712,659 | - | 895,558 | 4,608,217 |
| Pupil transportation | 2,397,844 | - | 608,049 | 3,005,893 |
| Central | 599,572 | - | 17,456 | 617,028 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 44,614 | - | - | 44,614 |
| Food service operations | - | - | 1,571,101 | 1,571,101 |
| Extracurricular activities | 669,753 | - | 363,322 | 1,033,075 |
| Facilities acquisition and construction | 2,700 | - | 1,805,734 | 1,808,434 |
| Debt service: | | | | |
| Principal retirement | 77,394 | 1,855,000 | - | 1,932,394 |
| Interest and fiscal charges | 5,504 | 980,338 | - | 985,842 |
| Total expenditures | 40,067,931 | 2,876,517 | 7,575,628 | 50,520,076 |
| Excess (deficiency) of revenues over (under) expenditures | 5,407,994 | 717,882 | (1,855,265) | 4,270,611 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 2,445,493 | 2,445,493 |
| Transfers (out) | (2,445,493) | - | - | (2,445,493) |
| Total other financing sources (uses) | (2,445,493) | - | 2,445,493 | - |
| Net change in fund balances | 2,962,501 | 717,882 | 590,228 | 4,270,611 |
| Fund balances at beginning of year | 23,318,990 | 3,035,477 | 1,821,234 | 28,175,701 |
| Change in reserve for inventory | (1,712) | - | 12,086 | 10,374 |
| Fund balances at end of year | \$ 26,279,779 | \$ 3,753,359 | \$ 2,423,548 | \$ 32,456,686 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | | |
|---|--------------|------------------|
| Net change in fund balances - total governmental funds | \$ | 4,270,611 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | \$ 2,025,210 | |
| Current year depreciation | (4,890,174) | |
| Total | | (2,864,964) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (3,221) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | 10,374 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | (89,286) | |
| Income taxes | 86,893 | |
| Earnings on investments | 6,821 | |
| Contributions and donation | 672,334 | |
| Insurance proceeds | 25,654 | |
| Intergovernmental | (170,142) | |
| Miscellaneous | 686,138 | |
| Total | | 1,218,412 |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were: | | |
| Bonds | 1,855,000 | |
| Capital leases | 77,394 | |
| Total | | 1,932,394 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: | | |
| Change in accrued interest payable | 3,450 | |
| Amortization of bond premiums | 180,086 | |
| Amortization of deferred charges | (56,360) | |
| Total | | 127,176 |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | | 3,528,523 |
| OPEB | | 128,254 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability/asset are reported as pension expense/OPEB expense in the statement of activities. | | |
| Pension | | (5,205,469) |
| OPEB | | 5,363,390 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | 68,991 |
| Change in net position of governmental activities | \$ | 8,574,471 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP 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> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 10,412,771 | \$ 10,913,280 | \$ 10,913,280 | \$ - |
| Income taxes. | 7,094,154 | 7,548,827 | 7,548,827 | - |
| Payment in lieu of taxes. | 153,587 | 154,028 | 154,028 | - |
| Tuition. | 794,035 | 686,994 | 686,994 | - |
| Earnings on investments | 381,489 | 604,339 | 604,339 | - |
| Classroom materials and fees | 133,589 | 168,132 | 168,132 | - |
| Rental income | 916 | 1,850 | 1,850 | - |
| Other local revenues | 6,922 | 11,053 | 11,053 | - |
| Intergovernmental - intermediate | - | 1,652 | 1,652 | - |
| Intergovernmental - state | 21,532,034 | 22,762,942 | 22,762,942 | - |
| Intergovernmental - federal | 151,276 | 250,400 | 250,400 | - |
| Total revenues | <u>40,660,773</u> | <u>43,103,497</u> | <u>43,103,497</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 18,343,710 | 18,473,154 | 18,473,154 | - |
| Special. | 4,775,359 | 4,625,350 | 4,625,350 | - |
| Vocational. | 346,957 | 309,896 | 309,896 | - |
| Other. | 2,444,675 | 2,429,262 | 2,429,262 | - |
| Support services: | | | | |
| Pupil. | 1,648,300 | 1,694,176 | 1,694,176 | - |
| Instructional staff | 419,026 | 441,076 | 441,076 | - |
| Board of education | 193,358 | 148,649 | 148,649 | - |
| Administration. | 2,835,111 | 2,950,498 | 2,950,498 | - |
| Fiscal | 1,024,163 | 1,008,572 | 1,008,572 | - |
| Business | 219,534 | 243,723 | 243,723 | - |
| Operations and maintenance. | 3,953,065 | 4,094,357 | 4,094,357 | - |
| Pupil transportation | 2,335,611 | 2,549,478 | 2,549,478 | - |
| Central. | 707,217 | 648,993 | 648,993 | - |
| Other operation of non-instructional services | 38,284 | 36,967 | 36,967 | - |
| Extracurricular activities. | 650,955 | 660,266 | 660,266 | - |
| Total expenditures | <u>39,935,325</u> | <u>40,314,417</u> | <u>40,314,417</u> | <u>-</u> |
| Excess of revenues over expenditures. | <u>725,448</u> | <u>2,789,080</u> | <u>2,789,080</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 93,000 | 115,054 | 115,054 | - |
| Transfers (out). | (2,408,818) | (2,445,493) | (2,445,493) | - |
| Advances in. | - | 15,137 | 15,137 | - |
| Other uses. | (20,368,059) | - | - | - |
| Insurance Proceeds | - | 88,515 | 88,515 | - |
| Total other financing sources (uses) | <u>(22,683,877)</u> | <u>(2,226,787)</u> | <u>(2,226,787)</u> | <u>-</u> |
| Net change in fund balance | (21,958,429) | 562,293 | 562,293 | - |
| Fund balance at beginning of year | 21,180,562 | 21,180,562 | 21,180,562 | - |
| Prior year encumbrances appropriated | 777,867 | 777,867 | 777,867 | - |
| Fund balance at end of year | \$ - | \$ 22,520,722 | \$ 22,520,722 | \$ - |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and investments | \$ 15,860 | \$ 198,559 |
| Receivables: | | |
| Accrued interest. | 181 | - |
| | 16,041 | \$ 198,559 |
| Total assets. | 16,041 | \$ 198,559 |
| Liabilities: | | |
| Accounts payable. | - | \$ 22,772 |
| Due to students. | - | 175,787 |
| | - | \$ 198,559 |
| Total liabilities | - | \$ 198,559 |
| Net position: | | |
| Held in trust for scholarships | 16,041 | |
| Total net position | \$ 16,041 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Private-Purpose Trust |
|---|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$ 441 |
| Total additions. | 441 |
| Deductions: | |
| Scholarships awarded | 176 |
| Change in net position | 265 |
| Net position at beginning of year. | 15,776 |
| Net position at end of year | \$ 16,041 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Teays Valley Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District employed 270 certified employees and 187 non-certified employees who provided services to 4,093 students in the grades K-12. The District is supported by the Pickaway County Educational Service Center, a separate entity.

The District provides regular, vocational, special and adult/continuing instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2019, the District paid META Solutions \$149,540 for services. Financial information can be obtained from Ashley Widby, who serves as Interim Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Development Disabilities, representatives of universities and students and persons with disabilities representations. COSERRC assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

PUBLIC ENTITY RISK POOL

Pickaway County Public Employer Benefits Program (PCPEBP)

During fiscal year 2010, the District joined together with Circleville City School District, Logan Elm Local School District and Westfall Local School District to form the PCPEBP, a new insurance consortium. The PCPEBP is a public entity shared risk pool organized to provide health care and dental insurance benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by its superintendent or superintendent designee.

Teays Valley Local School District serves as fiscal agent for the PCPEBP which is accounted for separately. To obtain financial information, write Stacy Overly, Treasurer, Teays Valley Local School District, 385 Viking Way, Ashville, OH 43103.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for and report the accumulation of resources that are restricted for payment of general obligation bond principal, interest, and related costs.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 14 and 15 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property and income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 14 and 15 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2019 is as follows.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenues in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2019.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The original and final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation (original budget) amounts plus all supplemental appropriations legally enacted during the year (final budget amounts).
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2019, investments were limited to nonnegotiable certificates of deposits, commercial paper, Farm Federal Credit Bank (FFCB) Securities, Federal Home Loan Bank (FHLB) Securities, Federal Home Loan Mortgage Corporation (FHLMC) Securities, Federal National Mortgage Association (FNMA) Securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at amortized cost.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2019 amounted to \$756,338 which includes \$196,697 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at year end is provided in Note 4.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the asset.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net position.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

I. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 8 - 10 years |
| Infrastructure | 20 years |

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "advance from/advance to other funds". These amounts are eliminated in the governmental type activities columns of the statement of net position. At June 30, 2019, there were no interfund balances outstanding.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2019, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

L. Issuance Costs/Unamortized Bond Premium and Discount/Unamortized Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are expensed in the year they occur.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred inflow or outflow of resources.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

N. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

O. Estimates

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

P. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service and a special trust.

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

Q. Interfund Activity

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

R. Pensions/Other Postemployment Benefits (OPEB)

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the 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 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.

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits, including nonnegotiable certificates of deposit of \$1,017,224, was \$6,290,498 and the bank balance of all District deposits was \$6,460,117. Of the bank balance, \$1,811,654 was covered by the FDIC and \$4,648,463 was covered by the Ohio Pooled Collateral System.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2019, certain District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS while others were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

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

| <u>Measurement/Investment Type</u> | <u>Measurement Value</u> | <u>Investment Maturities</u> | | | |
|------------------------------------|--------------------------|------------------------------|-----------------------|------------------------|-------------------------------|
| | | <u>6 months or less</u> | <u>7 to 12 months</u> | <u>13 to 18 months</u> | <u>Greater than 24 months</u> |
| <i>Fair value:</i> | | | | | |
| Commercial paper | \$ 4,492,864 | \$ 4,241,332 | \$ 251,532 | \$ - | \$ 1,167,031 |
| FFCB | 1,167,031 | - | - | - | - |
| FHLB | 3,409,430 | - | - | 2,309,419 | 1,100,011 |
| FHLMC | 1,748,712 | - | - | - | 1,748,742 |
| FNMA | 550,149 | - | - | 550,149 | - |
| Negotiable CDs | 5,703,884 | 997,888 | - | 1,237,292 | 3,468,704 |
| <i>Amortized cost:</i> | | | | | |
| STAR Ohio | 8,913,121 | 8,913,124 | - | - | - |
| Total | \$ 25,985,191 | \$ 14,152,344 | \$ 251,532 | \$ 4,096,860 | \$ 7,484,488 |

The weighted average of maturity of investments is 1.38 years.

The District's investments in commercial paper, federal agency securities (FFCB, FHLB, FHLMC, FNMA) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in commercial paper were rated P-1 by Moody's Investor Services. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District's investments in negotiable CD's are not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

| <u>Measurement/Investment type</u> | <u>Measurement Value</u> | <u>% of Total</u> |
|------------------------------------|------------------------------|-------------------|
| <i>Fair Value:</i> | | |
| Commercial paper | \$ 4,492,864 | 17.29 |
| FFCB | 1,167,031 | 4.49 |
| FHLB | 3,409,430 | 13.12 |
| FHLMC | 1,748,712 | 6.73 |
| FNMA | 550,149 | 2.12 |
| Negotiable CDs | 5,703,884 | 21.95 |
| <i>Amortized cost:</i> | | |
| STAR Ohio | <u>8,913,121</u> | <u>34.30</u> |
| Total | <u>\$ 25,985,191</u> | <u>100.00</u> |

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 6,290,498 |
| Investments | <u>25,985,191</u> |
| Total | <u>\$ 32,275,689</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 32,061,270 |
| Private-purpose trust funds | 15,860 |
| Agency funds | <u>198,559</u> |
| Total | <u>\$ 32,275,689</u> |

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported on the fund statements:

| | <u>Amount</u> |
|--|---------------------|
| <u>Transfers from general fund to:</u> | |
| Nonmajor governmental funds | <u>\$ 2,445,493</u> |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues 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 revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on 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 is currently assessed at varying percentages of true value.

The District receives property taxes from Pickaway, Franklin and Fairfield Counties. The County Auditors periodically advance to the 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 as an advance at June 30, 2019 was \$1,985,742 in the general fund, \$493,898 in the debt service fund and \$227,193 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$290,495 in the general fund, \$86,768 in the debt service fund and \$33,261 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 - PROPERTY TAXES - (Continued)

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

| | 2018 Second Half Collections | | 2019 First Half Collections | |
|--|---------------------------------|----------------------|--------------------------------|----------------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 481,350,530 | 91.02 | \$ 487,421,710 | 75.99 |
| Public utility personal | <u>47,500,050</u> | <u>8.98</u> | <u>154,026,370</u> | <u>24.01</u> |
| Total | <u>\$ 528,850,580</u> | <u>100.00</u> | <u>\$ 641,448,080</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| General | \$22.70 | | \$22.70 | |
| Bond | 6.00 | | 5.00 | |
| Permanent improvement | 2.30 | | 2.30 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2019 consisted of property taxes, income taxes, payment in lieu of taxes (PILOTs), accrued interest, intergovernmental grants and entitlements, pledged donations and insurance recoveries. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

| Governmental activities: | |
|---------------------------------|-----------------------------|
| Property taxes | \$ 17,120,804 |
| Income taxes | 2,891,770 |
| PILOTs receivable | 211,476 |
| Accrued interest | 153,932 |
| Intergovernmental | 699,394 |
| Pledged donations | 672,334 |
| Insurance recoveries | <u>25,654</u> |
| Total | <u>\$ 21,775,364</u> |

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year with the exception of the pledged donations which are expected to be collected over the course of the pledge term which may exceed out to fiscal year 2028.

NOTE 8 - INCOME TAX

The 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. In March 2012, the District voters passed a 1.50 percent earned income tax levy that replaced the previous traditional income tax levy. Collections were gradually ramped up in calendar year 2013 while full collection occurred by the end of calendar year 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and the classroom facilities maintenance fund (a nonmajor governmental fund). Total income tax revenue on a modified accrual basis during fiscal year 2019 was \$7,869,092.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - CAPITAL ASSETS

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

| | Balance <u>June 30, 2018</u> | <u>Additions</u> | <u>Disposals</u> | Balance <u>June 30, 2019</u> |
|---|---------------------------------|-----------------------|-------------------|---------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 3,020,415 | \$ - | \$ - | \$ 3,020,415 |
| Construction in progress | <u>-</u> | <u>236,831</u> | <u>-</u> | <u>236,831</u> |
| Total capital assets, not being depreciated | <u>3,020,415</u> | <u>236,831</u> | <u>-</u> | <u>3,257,246</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 12,466,983 | 1,007,262 | (48,138) | 13,426,107 |
| Buildings and improvements | 107,648,690 | 9,500 | - | 107,658,190 |
| Furniture and equipment | 10,466,751 | 387,993 | (56,347) | 10,798,397 |
| Vehicles | 3,430,726 | 383,624 | - | 3,814,350 |
| Infrastructure | <u>275,675</u> | <u>-</u> | <u>-</u> | <u>275,675</u> |
| Total capital assets, being depreciated | <u>134,288,825</u> | <u>1,788,379</u> | <u>(104,485)</u> | <u>135,972,719</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (7,024,818) | (589,738) | 48,138 | (7,566,418) |
| Buildings and improvements | (42,940,190) | (3,348,602) | - | (46,288,792) |
| Furniture and equipment | (6,870,789) | (689,645) | 53,126 | (7,507,308) |
| Vehicles | (2,241,923) | (247,076) | - | (2,488,999) |
| Infrastructure | <u>(45,579)</u> | <u>(15,113)</u> | <u>-</u> | <u>(60,692)</u> |
| Total accumulated depreciation | <u>(59,123,299)</u> | <u>(4,890,174)</u> | <u>101,264</u> | <u>(63,912,209)</u> |
| Governmental activities capital assets, net | <u>\$ 78,185,941</u> | <u>\$ (2,864,964)</u> | <u>\$ (3,221)</u> | <u>\$ 75,317,756</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 4,090,043 |
| Special | 2,829 |
| Vocational | 62,773 |
| Other | 1,135 |
| <u>Support services:</u> | |
| Pupil | 9,818 |
| Instructional staff | 34,987 |
| Board of education | 1,462 |
| Administration | 27,420 |
| Fiscal | 3,451 |
| Business | 157,679 |
| Operations and maintenance | 67,858 |
| Pupil transportation | 233,885 |
| Central | 10,049 |
| Extracurricular activities | 132,314 |
| Food service operations | <u>54,471</u> |
| Total depreciation expense | <u>\$ 4,890,174</u> |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for copier equipment and a postage meter. These lease agreements meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$371,144 on the statement of net position. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2019 was \$259,798 leaving a current book value of \$111,346. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2019 totaled \$77,394 paid by the general fund.

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

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2020 | \$ 82,898 |
| 2021 | <u>1,250</u> |
| Total minimum lease payments | 84,148 |
| Less: amount representing interest | <u>(2,048)</u> |
| Total | <u>\$ 82,100</u> |

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2019, the following changes occurred in governmental activities long-term obligations.

| | <u>Balance</u> | | | <u>Balance</u> | <u>Amounts</u> |
|------------------------------------|----------------------|-------------------|-----------------------|----------------------|---------------------|
| | <u>June 30, 2018</u> | <u>Increase</u> | <u>Decrease</u> | <u>June 30, 2019</u> | <u>Due in</u> |
| | | | | | <u>One Year</u> |
| General obligation bonds | \$ 28,620,000 | \$ - | \$ (1,855,000) | \$ 26,765,000 | \$ 1,895,000 |
| Capital lease obligation | 159,494 | - | (77,394) | 82,100 | 80,881 |
| Net pension liability | 46,477,356 | 136,472 | (1,408,136) | 45,205,692 | - |
| Net OPEB liability | 10,298,317 | 388,162 | (6,121,021) | 4,565,458 | - |
| Compensated absences | <u>3,034,632</u> | <u>355,597</u> | <u>(407,426)</u> | <u>2,982,803</u> | <u>324,202</u> |
| Total | <u>\$ 88,589,799</u> | <u>\$ 880,231</u> | <u>\$ (9,868,977)</u> | 79,601,053 | <u>\$ 2,300,083</u> |
| Add: Unamortized premium | | | | <u>2,182,811</u> | |
| Total on statement of net position | | | | <u>\$ 81,783,864</u> | |

General Obligation Bonds: See Note 11.B. through Note 11.D. for details.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 10 for details.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability and Net OPEB liability/asset: See Notes 14 and 15 for details. The District pays obligations related to employee compensation from the fund benefitting from their services.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District is the general fund, food service fund (a nonmajor governmental fund), the Title VI-B fund (a nonmajor governmental fund) and the Title I fund (a nonmajor governmental fund).

B. General Obligation Bonds - Series 2015 Refunding Bonds

During fiscal year 2016, the District issued \$14,215,000 in general obligation bonds to refund \$14,705,000 of the General Obligation Bonds – Series 2006 Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$11,740,000.

The issue is comprised of current interest bonds, par value \$14,215,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$211,803. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2027. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,774,677 and resulted in an economic gain of \$1,725,901.

The following is a schedule of activity for the series 2015 refunding bonds:

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 | Amount Due in One Year |
|---|--------------------------|-----------|----------------|--------------------------|------------------------------|
| Current interest bonds - Series 2015 Refunding | \$ 13,440,000 | \$ - | \$ (1,155,000) | \$ 12,285,000 | \$ 1,180,000 |

The following is a summary of the future debt service requirements to maturity for the series 2015 refunding bonds:

| Fiscal Year Ending June 30, | <u>2015 Refunding Bonds</u> | | |
|--------------------------------|-----------------------------|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2020 | \$ 1,180,000 | \$ 433,900 | \$ 1,613,900 |
| 2021 | 1,215,000 | 397,975 | 1,612,975 |
| 2022 | 1,250,000 | 354,750 | 1,604,750 |
| 2023 | 1,300,000 | 303,750 | 1,603,750 |
| 2024 | 1,355,000 | 250,650 | 1,605,650 |
| 2025 - 2028 | <u>5,985,000</u> | <u>435,025</u> | <u>6,420,025</u> |
| Total | <u>\$ 12,285,000</u> | <u>\$ 2,176,050</u> | <u>\$ 14,461,050</u> |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. General Obligation Bonds - Series 2016A Refunding Bonds

During fiscal year 2016, the District issued \$8,675,000 in general obligation bonds to refund \$9,015,000 of the General Obligation Bonds – Series 2007A. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$8,300,000.

The issue is comprised of current interest bonds, par value \$8,675,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$391,623. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2034. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,174,994 and resulted in an economic gain of \$974,791.

The following is a schedule of activity for the series 2016A refunding bonds:

| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>Due in</u> |
|--------------------------|----------------------|------------------|-------------------|----------------------|-----------------|
| | <u>June 30, 2018</u> | | | <u>June 30, 2019</u> | <u>One Year</u> |
| Current interest bonds - | | | | | |
| Series 2016A Refunding | \$ 8,145,000 | \$ - | \$ (380,000) | \$ 7,765,000 | \$ 390,000 |

The following is a summary of the future debt service requirements to maturity for the series 2016A refunding bonds:

| Fiscal Year Ending <u>June 30,</u> | <u>2016A Refunding Bonds</u> | | |
|---------------------------------------|-------------------------------|---------------------|----------------------|
| | <u>Current Interest Bonds</u> | | |
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2020 | \$ 390,000 | \$ 261,675 | \$ 651,675 |
| 2021 | 395,000 | 253,825 | 648,825 |
| 2022 | 400,000 | 245,875 | 645,875 |
| 2023 | 415,000 | 237,725 | 652,725 |
| 2024 | 420,000 | 229,375 | 649,375 |
| 2025 - 2029 | 2,315,000 | 901,775 | 3,216,775 |
| 2030 - 2034 | 2,800,000 | 409,663 | 3,209,663 |
| 2035 | <u>630,000</u> | <u>12,600</u> | <u>642,600</u> |
| Total | <u>\$ 7,765,000</u> | <u>\$ 2,552,513</u> | <u>\$ 10,317,513</u> |

D. General Obligation Bonds - Series 2016B Refunding Bonds

During fiscal year 2016, the District issued \$7,505,000 in general obligation bonds to refund \$7,780,000 of the General Obligation Bonds – Series 2007B. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$7,165,000. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The issue is comprised of current interest bonds, par value \$7,505,000. The interest rates on the current interest bonds range from 2.00% - 4.00%.

The reacquisition price exceeded the net carrying amount of the old debt by \$339,306. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2034. This advance refunding was undertaken to reduce the combined total debt service payments by \$990,563 and resulted in an economic gain of \$807,828.

The following is a schedule of activity for the series 2016B refunding bonds:

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 | Amount Due in One Year |
|--|--------------------------|-----------|--------------|--------------------------|------------------------------|
| Current interest bonds - Series 2016B Refunding | \$ 7,035,000 | \$ - | \$ (320,000) | \$ 6,715,000 | \$ 325,000 |

The following is a summary of the future debt service requirements to maturity for the series 2016B refunding bonds:

| Fiscal Year Ending <u>June 30,</u> | <u>2016B Refunding Bonds</u> | | |
|---------------------------------------|------------------------------|--------------|--------------|
| | Current Interest Bonds | | |
| | Principal | Interest | Total |
| 2020 | \$ 325,000 | \$ 241,362 | \$ 566,362 |
| 2021 | 330,000 | 234,812 | 564,812 |
| 2022 | 340,000 | 226,412 | 566,412 |
| 2023 | 345,000 | 226,137 | 571,137 |
| 2024 | 355,000 | 203,862 | 558,862 |
| 2025 - 2029 | 2,020,000 | 788,210 | 2,808,210 |
| 2030 - 2034 | 2,450,000 | 358,619 | 2,808,619 |
| 2035 | 550,000 | 11,000 | 561,000 |
| Total | \$ 6,715,000 | \$ 2,290,414 | \$ 9,005,414 |

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$34,718,686 (including available funds of \$3,753,359) and an unvoted debt margin of \$641,448.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Upon termination, employees are limited to payment of 2 years plus current year accumulation based on the Ohio Revised Code. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

| <u>Years Service</u> | <u>Vacation Days</u> |
|----------------------|----------------------|
| 0 - 9 | 10 |
| 10 - 19 | 15 |
| 20 - beyond | 20 |

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees, except 260 day administrators and classified employees is 240 days; 260 day administrators and classified employees may accumulate 295 days of sick leave. 205 day administrators may accumulate 271 days per year, based on 113 percent of teacher's accumulation of 240 days of sick leave for 185 days of service.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of 60 days. Administrators receiving retirement severance pay shall be entitled to a dollar amount equivalent to 30% of all accumulated sick leave credited to that employee up to a maximum of 88.5 days. The superintendent is entitled to one half of all accumulated sick leave.

NOTE 13 - RISK MANAGEMENT

A. General Risk

The 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 District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate, plus \$4,000,000 umbrella.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss, plus \$4,000,000 umbrella.

The District maintains replacement cost insurance on buildings and contents in the amount of \$148,039,306. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The District participates in the Ohio SchoolComp Workers' Compensation Retrospective Rating Plan (RRP). SchoolComp contracts with CompManagement, Inc. to provide an insurance for workers compensation. The alternative rating program requires the District to pay only administrative charges to the Bureau, and in turn the District assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The District will be charged an actuarial amount for the claims transferred to the Bureau of Worker's Compensation. CompManagement provides administrative cost control and actuarial services to Ohio SchoolComp.

C. Health Care and Dental Insurance Benefits

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. Effective July 1, 2011, the District began offering dental benefits to employees through the PCPEBP. The PCPEBP was organized to provide health care benefits and dental insurance benefits to its members.

Effective Jan 1, 2014, the District moved all employees to the high deductible health plan which includes an HSA. Specifics on the plan can be found below:

| | <u>Rate</u> | <u>Board Share</u> | <u>Board HSA Contribution</u> | <u>Total Out-of-pocket Expense</u> |
|-----------------|-------------|--------------------|-------------------------------|------------------------------------|
| Medical: | | | | |
| Single | \$ 725.00 | \$ 725.00 | \$ 2,000.00 | \$ 3,000.00 |
| Family | 1,661.00 | 1,494.90 | 2,000.00 | 6,000.00 |
| Dental: | | | | |
| Single | 42.00 | 42.00 | n/a | n/a |
| Family | 96.00 | 96.00 | n/a | n/a |

The health care coverage is administered by United Healthcare, a third party administrator. The dental coverage is administered by Meritain Health.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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 after August 1, 2017 |
|------------------------------|---|--|
| Full benefits | Age 65 with 5 years of services credit; or 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$750,065 for fiscal year 2019. Of this amount, \$37,288 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The District's contractually required contribution to STRS was \$2,778,458 for fiscal year 2019. Of this amount, \$477,422 is reported as pension and postemployment benefits payable.

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

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

Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.154136400% | 0.15688350% | |
| Proportion of the net pension liability current measurement date | <u>0.163182800%</u> | <u>0.163090370%</u> | |
| Change in proportionate share | <u>0.009046400%</u> | <u>0.006206870%</u> | |
| Proportionate share of the net pension liability | \$ 9,345,781 | \$ 35,859,911 | \$ 45,205,692 |
| Pension expense | \$ 954,314 | \$ 4,251,155 | \$ 5,205,469 |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|----------------------|----------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 512,557 | \$ 827,755 | \$ 1,340,312 |
| Changes of assumptions | 211,049 | 6,355,052 | 6,566,101 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 317,612 | 2,188,964 | 2,506,576 |
| Contributions subsequent to the measurement date | <u>750,065</u> | <u>2,778,458</u> | <u>3,528,523</u> |
| Total deferred outflows of resources | <u>\$ 1,791,283</u> | <u>\$ 12,150,229</u> | <u>\$ 13,941,512</u> |
| | | | |
| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ - | \$ 234,187 | \$ 234,187 |
| Net difference between projected and actual earnings on pension plan investments | <u>258,945</u> | <u>2,174,507</u> | <u>2,433,452</u> |
| Total deferred inflows of resources | <u>\$ 258,945</u> | <u>\$ 2,408,694</u> | <u>\$ 2,667,639</u> |

\$3,528,523 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|-------------------|---------------------|---------------------|
| Fiscal Year Ending June 30: | | | |
| 2020 | \$ 897,175 | \$ 3,881,955 | \$ 4,779,130 |
| 2021 | 271,218 | 2,687,383 | 2,958,601 |
| 2022 | (306,703) | 638,193 | 331,490 |
| 2023 | <u>(79,417)</u> | <u>(244,454)</u> | <u>(323,871)</u> |
| Total | <u>\$ 782,273</u> | <u>\$ 6,963,077</u> | <u>\$ 7,745,350</u> |

Actuarial Assumptions - SERS

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

| | |
|--|--|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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 | <u>100.00 %</u> | |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 13,164,238 | \$ 9,345,781 | \$ 6,144,261 |

Actuarial Assumptions - STRS

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

| | July 1, 2018 |
|--------------------------------------|---|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-living adjustments (COLA) | 0.0%, effective July 1, 2017 |

For the July 1, 2018, actuarial valuation, 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, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS Ohio's 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 | <u>100.00 %</u> | |

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

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 52,368,679 | \$ 35,859,911 | \$ 21,887,478 |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare

Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 15 - 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$100,469.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$128,254 for fiscal year 2019. Of this amount, \$101,850 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share and OPEB expense:

| | | | |
|--|---------------------|---------------------|----------------|
| Proportion of the net OPEB | | | |
| liability prior measurement date | 0.155652200% | 0.156883650% | |
| Proportion of the net OPEB | | | |
| liability/asset current measurement date | <u>0.164564300%</u> | <u>0.163090370%</u> | |
| Change in proportionate share | <u>0.008912100%</u> | <u>0.006206720%</u> | |
| Proportionate share of the net | | | |
| OPEB liability | \$ 4,565,458 | \$ - | \$ 4,565,458 |
| Proportionate share of the net | | | |
| OPEB asset | \$ - | \$ (2,620,696) | \$ (2,620,696) |
| OPEB expense | \$ 257,907 | \$ (5,621,297) | \$ (5,363,390) |

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 74,525 | \$ 306,103 | \$ 380,628 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 176,417 | 351,490 | 527,907 |
| Contributions subsequent to the measurement date | <u>128,254</u> | <u>-</u> | <u>128,254</u> |
| Total deferred outflows of resources | <u>\$ 379,196</u> | <u>\$ 657,593</u> | <u>\$ 1,036,789</u> |
| | | | |
| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ - | \$ 152,691 | \$ 152,691 |
| Net difference between projected and actual earnings on pension plan investments | 6,849 | 299,393 | 306,242 |
| Changes of assumptions | 410,172 | 3,570,907 | 3,981,079 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>139</u> | <u>-</u> | <u>139</u> |
| Total deferred inflows of resources | <u>\$ 417,160</u> | <u>\$ 4,022,991</u> | <u>\$ 4,440,151</u> |

\$128,254 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

| | SERS | STRS | Total |
|-----------------------------|--------------|----------------|----------------|
| Fiscal Year Ending June 30: | | | |
| 2020 | \$ (134,403) | \$ (602,538) | \$ (736,941) |
| 2021 | (97,941) | (602,538) | (700,479) |
| 2022 | 17,525 | (602,538) | (585,013) |
| 2023 | 20,440 | (534,546) | (514,106) |
| 2024 | 19,968 | (510,692) | (490,724) |
| Thereafter | 8,193 | (512,546) | (504,353) |
| Total | \$ (166,218) | \$ (3,365,398) | \$ (3,531,616) |

Actuarial Assumptions - SERS

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

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

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

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

| | |
|---|---|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.62% |
| Prior measurement date | 3.56% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.70% |
| Prior measurement date | 3.63% |
| Medical trend assumption: | |
| Medicare | 5.375 to 4.75% |
| Pre-Medicare | 7.25 to 4.75% |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled 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%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.50 % |
| US 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 | <u>100.00 %</u> | |

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 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, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, 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. A municipal bond rate of 3.56% was used as of June 30, 2017. 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) 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%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB liability | \$ 5,539,825 | \$ 4,565,458 | \$ 3,793,943 |

| | 1% Decrease (6.25 % decreasing to 3.75 %) | Current Trend Rate (7.25 % decreasing to 4.75 %) | 1% Increase (8.25 % decreasing to 5.75 %) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | \$ 3,638,487 | \$ 4,565,458 | \$ 5,733,346 |

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, compared with July 1, 2017, are presented below:

| | July 1, 2018 | July 1, 2017 |
|--------------------------------------|---|---|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% | 0.00%, effective July 1, 2017 |
| Discounted rate of return | 7.45% | N/A |
| Blended discount rate of return | N/A | 4.13% |
| Health care cost trends | | 6 to 11% initial, 4.50% ultimate |
| | Initial | Ultimate |
| Medical | | |
| Pre-Medicare | 6.00% | 4.00% |
| Medicare | 5.00% | 4.00% |
| Prescription Drug | | |
| Pre-Medicare | 8.00% | 4.00% |
| Medicare | -5.23% | 4.00% |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% 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.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

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

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% 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% was used to measure the total OPEB asset as of June 30, 2018.

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB asset | \$ 2,246,182 | \$ 2,620,696 | \$ 2,935,457 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|--------------|-----------------------|--------------|
| District's proportionate share of the net OPEB asset | \$ 2,917,688 | \$ 2,620,696 | \$ 2,319,077 |

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (f) Investments are reported at fair value (GAAP basis) as opposed to cost basis (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 562,293 |
| Net adjustment for revenue accruals | 2,193,972 |
| Net adjustment for expenditure accruals | (292,042) |
| Net adjustment for other sources/uses | (218,706) |
| Funds budgeted elsewhere | (66,172) |
| Adjustment for encumbrances | 783,156 |
| GAAP basis | <u>\$ 2,962,501</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the District agency fund, the internal service fund and the underground storage tank fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not involved in any litigation that would have a material effect on the financial statements.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2018 | \$ - |
| Current year set-aside requirement | 724,467 |
| Contributions in excess of the current fiscal year set-aside requirement | - |
| Current year qualifying expenditures | - |
| Excess qualified expenditures from prior years | - |
| Current year offsets | (1,354,838) |
| Waiver granted by ODE | - |
| Prior year offset from bond proceeds | - |
| Total | <u>\$ (630,371)</u> |
| Balance carried forward to fiscal year 2020 | <u>\$ -</u> |
| Set-aside balance June 30, 2019 | <u>\$ -</u> |

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| | <u>Year-End Encumbrances</u> |
|--------------------|----------------------------------|
| <u>Fund</u> | |
| General fund | \$ 644,560 |
| Other governmental | <u>790,177</u> |
| Total | <u>\$ 1,434,737</u> |

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Pickaway County entered into Community Reinvestment Area agreements (CRAs) with various businesses for the abatement of property taxes to bring jobs and economic development into the County. Under the agreements, the company's property taxes assessed to the District have been abated. During fiscal year 2019, the District's property taxes were reduced by approximately \$664,945. Under the agreements, the District received approximately \$154,028 during fiscal year 2019 from Intermodal LLC in association with the forgone tax revenue.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 21 - POLLUTION REMEDIATION OBLIGATIONS

During fiscal year 2019, a fuel storage tank at a District building was discovered to have been leaking and needed to be replaced. Under GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", the District was obligated to perform remediation at the location of the previous fuel storage tank and replace it with a new one. The total cost of the remediation, including a new storage tank, is expected to be \$199,054. Liabilities in the amount of \$159,179 have been recorded as "pollution remediation obligation payable" on the basic financial statements for future potential amounts that will be incurred under the remediation. The District anticipates receiving \$25,654 in insurance recoveries which are reported as "insurance recoveries receivable" on the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|---------------|--------------|
| District's proportion of the net pension liability | 0.16318280% | 0.15413640% | 0.15381570% | 0.15290890% |
| District's proportionate share of the net pension liability | \$ 9,345,781 | \$ 9,209,309 | \$ 11,257,890 | \$ 8,725,130 |
| District's covered payroll | \$ 5,329,407 | \$ 5,049,457 | \$ 4,724,929 | \$ 4,603,354 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 175.36% | 182.38% | 238.27% | 189.54% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.36% | 69.50% | 62.98% | 69.16% |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> |
|--------------|--------------|
| 0.15097500% | 0.15097500% |
| \$ 7,640,759 | \$ 8,977,999 |
| \$ 4,387,027 | \$ 4,247,247 |
| 174.17% | 211.38% |
| 71.70% | 65.52% |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SIX FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.16309037% | 0.15688365% | 0.15347236% | 0.14909469% |
| District's proportionate share of the net pension liability | \$ 35,859,911 | \$ 37,268,047 | \$ 51,371,825 | \$ 41,205,411 |
| District's covered payroll | \$ 18,665,564 | \$ 17,585,264 | \$ 16,235,600 | \$ 15,555,536 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 192.12% | 211.93% | 316.41% | 264.89% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.31% | 75.30% | 66.80% | 72.10% |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> |
|---------------|---------------|
| 0.14582712% | 0.14582712% |
| \$ 35,470,202 | \$ 42,251,873 |
| \$ 14,899,500 | \$ 15,285,185 |
| 238.06% | 276.42% |
| 74.70% | 69.30% |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 750,065 | \$ 719,470 | \$ 706,924 | \$ 661,490 |
| Contributions in relation to the contractually required contribution | <u>(750,065)</u> | <u>(719,470)</u> | <u>(706,924)</u> | <u>(661,490)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 5,556,037 | \$ 5,329,407 | \$ 5,049,457 | \$ 4,724,929 |
| Contributions as a percentage of covered payroll | 13.50% | 13.50% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 606,722 | \$ 608,042 | \$ 587,819 | \$ 577,808 | \$ 564,877 | \$ 582,532 |
| <u>(606,722)</u> | <u>(608,042)</u> | <u>(587,819)</u> | <u>(577,808)</u> | <u>(564,877)</u> | <u>(582,532)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 4,603,354 | \$ 4,387,027 | \$ 4,247,247 | \$ 4,295,970 | \$ 4,493,850 | \$ 4,302,304 |
| 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 2,778,458 | \$ 2,613,179 | \$ 2,461,937 | \$ 2,272,984 |
| Contributions in relation to the contractually required contribution | <u>(2,778,458)</u> | <u>(2,613,179)</u> | <u>(2,461,937)</u> | <u>(2,272,984)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 19,846,129 | \$ 18,665,564 | \$ 17,585,264 | \$ 16,235,600 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 2,177,775 | \$ 1,936,935 | \$ 1,987,074 | \$ 2,071,259 | \$ 2,134,349 | \$ 2,045,682 |
| <u>(2,177,775)</u> | <u>(1,936,935)</u> | <u>(1,987,074)</u> | <u>(2,071,259)</u> | <u>(2,134,349)</u> | <u>(2,045,682)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 15,555,536 | \$ 14,899,500 | \$ 15,285,185 | \$ 15,932,762 | \$ 16,418,069 | \$ 15,736,015 |
| 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|
| District's proportion of the net OPEB liability | 0.16456430% | 0.15565220% | 0.15496513% |
| District's proportionate share of the net OPEB liability | \$ 4,565,458 | \$ 4,177,296 | \$ 4,417,080 |
| District's covered payroll | \$ 5,329,407 | \$ 5,049,457 | \$ 4,724,929 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 85.67% | 82.73% | 93.48% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 13.57% | 12.46% | 11.49% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------|---------------|---------------|
| District's proportion of the net OPEB liability/asset | 0.16309037% | 0.15688365% | 0.15347236% |
| District's proportionate share of the net OPEB liability/(asset) | \$ (2,620,696) | \$ 6,121,021 | \$ 8,207,742 |
| District's covered payroll | \$ 18,665,564 | \$ 17,585,264 | \$ 16,235,600 |
| District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 14.04% | 34.81% | 50.55% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 176.00% | 47.10% | 37.30% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|-----------------|-----------------|
| Contractually required contribution | \$ 128,254 | \$ 111,179 | \$ 81,316 | \$ 74,508 |
| Contributions in relation to the contractually required contribution | <u>(128,254)</u> | <u>(111,179)</u> | <u>(81,316)</u> | <u>(74,508)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 5,556,037 | \$ 5,329,407 | \$ 5,049,457 | \$ 4,724,929 |
| Contributions as a percentage of covered payroll | 2.31% | 2.09% | 1.61% | 1.58% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------|-----------------|-----------------|------------------|------------------|-----------------|
| \$ 111,018 | \$ 76,562 | \$ 67,439 | \$ 128,195 | \$ 128,195 | \$ 80,439 |
| <u>(111,018)</u> | <u>(76,562)</u> | <u>(67,439)</u> | <u>(128,195)</u> | <u>(128,195)</u> | <u>(80,439)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 4,603,354 | \$ 4,387,027 | \$ 4,247,247 | \$ 4,295,970 | \$ 4,493,850 | \$ 4,302,304 |
| 2.41% | 1.75% | 1.59% | 2.98% | 2.85% | 1.87% |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 19,846,129 | \$ 18,665,564 | \$ 17,585,264 | \$ 16,235,600 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ - | \$ 153,265 | \$ 152,852 | \$ 159,328 | \$ 164,181 | \$ 157,360 |
| - | (153,265) | (152,852) | (159,328) | (164,181) | (157,360) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 15,555,536 | \$ 14,899,500 | \$ 15,285,185 | \$ 15,932,762 | \$ 16,418,069 | \$ 15,736,015 |
| 0.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to 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 and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

SUPPLEMENTARY INFORMATION

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | (E) GRANT NUMBER | (A) CASH FEDERAL DISBURSEMENTS |
|---|----------------|------------------------|---|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | |
| Child Nutrition Cluster: | | | |
| (C) School Breakfast Program | 10.553 | 2019 | \$ 93,794 |
| (C) National School Lunch Program | 10.555 | 2019 | 525,426 |
| (D) National School Lunch Program - Food Donation | 10.555 | 2019 | 123,289 |
| Total National School Lunch Program | | | 648,715 |
| Total U.S. Department of Agriculture and Child Nutrition Cluster | | | 742,509 |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2019 | 393,731 |
| Special Education Cluster (IDEA): | | | |
| Special Education_Grants to States - Restoration | 84.027 | 2019 | 169,148 |
| Special Education_Grants to States - Catastrophic | 84.027 | 2019 | 755 |
| Special Education_Grants to States | 84.027 | 2019 | 791,160 |
| Total Special Education_Grants to States | | | 961,063 |
| Special Education_Preschool Grants - Restoration | 84.173 | 2019 | 7,000 |
| Special Education_Preschool Grants | 84.173 | 2019 | 21,782 |
| Total Special Education_Preschool Grants | | | 28,782 |
| Total Special Education Cluster (IDEA) | | | 989,845 |
| Supporting Effective Instruction State Grants | 84.367 | 2019 | 91,623 |
| Student Support and Academic Enrichment Program | 84.424 | 2019 | 38,048 |
| Total U.S. Department of Education | | | 1,513,247 |
| Total Federal Financial Assistance | | | \$ 2,255,756 |

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Teays Valley Local School District under programs of the federal government for the fiscal year ended June 30, 2019 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the Teays Valley Local School District, it is not intended to and does not present the financial position or changes in net position of the Teays Valley Local School District.
- (B) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) OAKS did not assign pass-through numbers for fiscal year 2019.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

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 Teays Valley Local School District, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Teays Valley Local School District's basic financial statements and have issued our report thereon dated December 3, 2019.

Internal Control Over Financial Reporting

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Teays Valley Local 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 Teays Valley Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc
December 3, 2019



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**Independent Auditor's Report on Compliance with Requirements Applicable to the Major
Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Teays Valley Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Teays Valley Local School District's major federal program for the fiscal year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Teays Valley Local School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Teays Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
December 3, 2019

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

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

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|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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None

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
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None

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OHIO AUDITOR OF STATE KEITH FABER



TEAYS VALLEY LOCAL SCHOOL DISTRICT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2020**