



OHIO AUDITOR OF STATE
KEITH FABER



**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY
JUNE 30, 2019**

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BELMONT COUNTY
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Union Local School District, Belmont 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 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 and Pension and Other Post-employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards (the Schedule) 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 February 4, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 4, 2020

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Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Net position increased \$1,533,916.
- General revenues accounted for \$15,673,928 in revenue or approximately 81 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,646,863 or 19 percent of total revenues in the amount of \$19,320,791.
- Total assets increased \$2,941,299, primarily due to increases in cash and cash equivalents, and property taxes receivable. Total liabilities decreased \$2,121,496 primarily due to decreases in long-term liabilities, most notably, net OPEB liability.
- The School District had \$17,786,875 in expenses related to governmental activities; only \$3,646,863 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues in the amount of \$15,673,928 were adequate to provide for these programs.
- Total Governmental funds had \$19,231,060 in revenues and \$18,663,228 in expenditures. Overall, including other financing sources and uses, total Governmental funds' balance increased \$567,832.

Using this Annual Financial Report

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

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

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are reported as Governmental Activities including: instruction, support services, operation of non-instructional services, debt service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

Reporting the District's Fiduciary Responsibilities

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

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal year 2019 compared to fiscal year 2018.

Table 1			
Net Position			
Governmental Activities			
	2019	2018	Change
Assets			
Current and Other Assets	\$11,206,920	\$8,366,982	\$2,839,938
Net OPEB Asset	957,556	0	957,556
Capital Assets	11,083,363	11,939,558	(856,195)
<i>Total Assets</i>	23,247,839	20,306,540	2,941,299
Deferred Outflows of Resources			
Pension	5,232,960	5,788,995	(556,035)
OPEB	504,429	261,096	243,333
<i>Total Deferred Outflows of Resources</i>	5,737,389	6,050,091	(312,702)
Liabilities			
Current and Other Liabilities	2,474,628	2,001,393	473,235
Long-Term Liabilities:			
Due Within One Year	124,611	515,601	(390,990)
Due in More Than One Year:			
Net Pension Liability	17,180,107	17,461,211	(281,104)
Net OPEB Liability	1,990,886	3,963,219	(1,972,333)
Other Amounts	1,247,648	1,197,952	49,696
<i>Total Liabilities</i>	23,017,880	25,139,376	(2,121,496)
Deferred Inflows of Resources			
Property Taxes	6,538,297	4,829,272	1,709,025
Pension	1,106,414	806,582	299,832
OPEB	1,651,781	444,461	1,207,320
<i>Total Deferred Inflows of Resources</i>	9,296,492	6,080,315	3,216,177
Net Position (Deficit)			
Net Investment in Capital Assets	10,493,363	11,096,816	(603,453)
Restricted	512,160	882,685	(370,525)
Unrestricted	(14,334,667)	(16,842,561)	2,507,894
<i>Total Net Position (Deficit)</i>	(\$3,329,144)	(\$4,863,060)	\$1,533,916

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets increased \$2,941,299, primarily due to increases in current and other assets as well as an increase in the net OPEB asset. These increases were offset by a decrease in capital assets. The \$2,839,938 increase in current and other assets was primarily due to increases in property taxes receivable, and cash and cash equivalents. An increase in assessed valuation for property taxes was primarily responsible for the increase in both classes of assets, as there is a corresponding increase to taxes receivable, and the increase in tax revenue was able to provide additional resources to offset cash expenditures, increasing cash balances. The School District is also reporting a net OPEB asset related to the State Teachers Retirement System (STRS). More information on OPEB can be found in Note 12. The \$856,195 decrease in capital assets is primarily due to annual depreciation exceeding new asset additions.

Total liabilities decreased \$2,121,496. Current and other liabilities increased \$473,235 due primarily to an increase in accrued wages and benefits, as well as increases in intergovernmental payable to the East Central Ohio Educational Service Center for services provided to students at the Village Network, a residential treatment facility located within the School District. Long-term liabilities decreased \$2,594,731. The decrease is primarily due to a significant decrease in the net OPEB liability, which represents the School District's proportionate shares of the respective pension systems' unfunded benefits. Additionally, other amounts due in one year decreased as the School District made its final debt service payment on the 2007 Refunding Bonds in fiscal year 2019.

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

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 2
Changes in Net Position
Governmental Activities

	2019	2018	Change
Revenues			
<i>Program Revenue</i>			
Charges for Services	\$1,919,407	\$1,550,716	\$368,691
Operating Grants and Contributions	1,627,456	2,051,152	(423,696)
Capital Grants and Contributions	100,000	14,000	86,000
Total Program Revenue	3,646,863	3,615,868	30,995
<i>General Revenue</i>			
Property Taxes	7,038,302	5,165,834	1,872,468
Grants and Entitlements	8,475,894	7,930,777	545,117
Gifts and Donations	68,979	52,152	16,827
Investments	35,861	16,210	19,651
Miscellaneous	54,892	69,428	(14,536)
Total General Revenue	15,673,928	13,234,401	2,439,527
Total Revenues	19,320,791	16,850,269	2,470,522
Program Expenses			
Instruction:			
Regular	7,281,121	4,332,013	2,949,108
Special	3,046,915	1,422,069	1,624,846
Vocational	420,924	193,482	227,442
Support Services:			
Pupil	718,379	521,183	197,196
Instructional Staff	648,323	345,116	303,207
Board of Education	132,211	116,733	15,478
Administration	1,099,188	633,750	465,438
Fiscal	524,660	418,839	105,821
Operation and Maintenance of Plant	1,852,606	1,530,842	321,764
Pupil Transportation	1,136,634	1,061,298	75,336
Central	13,800	13,800	0
Operation of Non-Instructional Services	2,252	10,131	(7,879)
Food Service Operations	537,762	521,137	16,625
Extracurricular Activities	350,884	121,536	229,348
Interest and Fiscal Charges	21,216	47,364	(26,148)
Total Program Expenses	17,786,875	11,289,293	6,497,582
Change in Net Position	1,533,916	5,560,976	(4,027,060)
Net Position Beginning of Year	(4,863,060)	(10,424,036)	5,560,976
Net Position End of Year	(\$3,329,144)	(\$4,863,060)	\$1,533,916

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Program revenues accounted for approximately 19 percent of the School District's revenues in fiscal year 2019. These revenues consist of tuition and fees, charges for providing lunches to students, grants for specified purposes. In 2019 program revenues increased \$30,995, primarily due to increases in charges for services as a result of increases in tuition and fees associated with excess cost payments received by the School District, and per-diem fees for students housed at a residential treatment facility within the School District's boundaries. Additionally, capital grants and contributions increased as the School District received contributions from the Ohio EPA for recent purchases of fuel efficient buses.

General revenues, predominately consisting of property taxes and unrestricted grants and entitlements, accounted for approximately 81 percent of the School District's revenues in fiscal year 2019. The increase in general revenues was primarily due to increases in property tax revenue as assessed valuations, most notably for public utility personal property, have increased.

Instructional programs comprise approximately 60 percent of total governmental program expenses. Of the instructional expenses, approximately 68 percent is for regular instruction, approximately 28 percent for special instruction, and approximately 4 percent for vocational instruction. Overall program expenses increased \$6,497,582, following a \$5,310,244 negative pension expense reported in the prior year.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 4 shows the total cost of services and the net cost of services for fiscal year 2019 compared to fiscal year 2018. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 4
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction:				
Regular	\$7,281,121	\$4,332,013	\$5,456,045	\$2,815,399
Special	3,046,915	1,422,069	2,448,626	340,933
Vocational	420,924	193,482	298,872	107,000
Support Services				
Pupil	718,379	521,183	690,947	497,349
Instructional Staff	648,323	345,116	523,508	222,841
Board of Education	132,211	116,733	132,211	116,733
Administration	1,099,188	633,750	936,283	484,614
Fiscal	524,660	418,839	523,649	416,647
Operation and Maintenance of Plant	1,852,606	1,530,842	1,771,101	1,473,800
Pupil Transportation	1,136,634	1,061,298	973,377	1,015,844
Central	13,800	13,800	13,800	13,800
Operation of Non-Instructional Services	2,252	10,131	(9,916)	(1,009)
Food Service Operations	537,762	521,137	148,576	121,639
Extracurricular Activities	350,884	121,536	211,717	471
Interest and Fiscal Charges	21,216	47,364	21,216	47,364
Total Expenses	<u>\$17,786,875</u>	<u>\$11,289,293</u>	<u>\$14,140,012</u>	<u>\$7,673,425</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 84 percent of program expenses are supported through taxes and other general revenues.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The School District's Funds

Information about the School District's major fund starts on page 15. This fund is accounted for using the modified accrual basis of accounting. The School District has one major fund, the General Fund. The General Fund had revenues in the amount of \$17,242,385 and expenditures in the amount of \$16,473,811. Overall, including other financing uses, the General Fund's balance increased \$239,379. During fiscal year 2019, the School District received additional property tax revenue from the completion of a pipeline within its boundaries. The increase in tax revenue was sufficient to offset the increase in expenditures, primarily due to wage and salary increases.

General Fund Budgeting Highlights

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

During the course of fiscal 2019, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflect an overall increases in revenue estimates, with the most notable increases in estimates property tax revenue. The final estimate of revenues was amended to more closely match the actual revenues. Appropriations were amended from the original to offset increases in estimated revenues. The actual results of operations were different than budgeted amounts as spending in almost all categories was lower than budgeted appropriations; the difference between actual revenues and final estimated revenues were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the School District had \$11,083,363 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of depreciation. Table 5 shows fiscal year 2019 balances compared to 2018:

Table 5
 Capital Assets Net of Depreciation
 Government Activities

	2019	2018
Land	\$1,842,760	\$1,842,760
Construction in Progress	9,757	9,757
Land Improvements - Depreciable	487,908	545,710
Buildings and Improvements	7,647,677	8,329,005
Furniture, Fixtures, and Equipment	181,169	167,319
Vehicles	914,092	1,045,007
Totals	\$11,083,363	\$11,939,558

For more information on capital assets see Note 9 to the basic financial statements.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Debt

At June 30, 2019, the School District had \$590,000 outstanding in general obligation bonds with \$45,000 due within one year.

Table 6 summarizes debt outstanding:

Table 6
 Outstanding Debt at Year End
 Government Activities

	2019	2018
2007 Refunding Bonds		
Capital Appreciation Bonds	\$0	\$127,124
Accretion of Interest on CABs	0	187,122
Bond Premium	0	10,618
2015 Energy Conservation and School Improvement Term Bonds	590,000	635,000
Capital Leases	0	70,000
Total	\$590,000	\$1,029,864

See Note 16 for more detailed information on the School District's long-term obligations, including compensated absences, net pension liability and net OPEB liability.

Economic Factors

The School District has benefited economically from the continuing expansion of the oil and gas industry in Belmont County. The School District has entered into gas and oil leases on its property located in Smith, and Wayne Townships. The School District is currently exploring leases on its property in Goshen and Union townships following the expiration of its previous leases on the properties. The School District has received signing bonuses as part of the lease agreements. In addition, the School District has begun to receive royalty payments in accordance with its leased property in Smith Township. See Contingency Note 20 for further details on the School District's oil and gas leases.

In addition to the increases in property tax revenue that the School District is receiving as a result of increased assessed valuation related to the development of the oil and gas industry, ancillary businesses have been constructed, or are in the process of being constructed, within the School District. These new constructions allow for new and increased tax revenue opportunities.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Janet S. Hissrich, Treasurer/CFO at Union Local School District, 66779 Belmont-Morristown Road, Belmont, Ohio 43718.

Union Local School District
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,521,924
Accounts Receivable	8,479
Intergovernmental Receivable	522,630
Prepaid Items	27,173
Materials and Supplies Inventory	45,302
Property Taxes Receivable	7,081,412
Net OPEB Asset	957,556
Non-Depreciable Capital Assets	1,852,517
Depreciable Capital Assets, Net	9,230,846
<i>Total Assets</i>	23,247,839
Deferred Outflows of Resources	
Pension	5,232,960
OPEB	504,429
<i>Total Deferred Outflows of Resources</i>	5,737,389
Liabilities	
Accrued Wages and Benefits Payable	1,808,033
Intergovernmental Payable	605,315
Accounts Payable	59,838
Accrued Interest Payable	1,442
Long-Term Liabilities:	
Due Within One Year	124,611
Due in More Than One Year:	
Net Pension Liability	17,180,107
Net OPEB Liability	1,990,886
Other Amounts	1,247,648
<i>Total Liabilities</i>	23,017,880
Deferred Inflows of Resources	
Property Taxes	6,538,297
Pension	1,106,414
OPEB	1,651,781
<i>Total Deferred Inflows of Resources</i>	9,296,492
Net Position (Deficit)	
Net Investment in Capital Assets	10,493,363
Restricted for:	
Capital Projects	26,071
Classroom Facilities Maintenance	336,979
Local Programs	102,037
Federal Programs	36,073
Other Purposes	11,000
Unrestricted	(14,334,667)
<i>Total Net Position (Deficit)</i>	(\$3,329,144)

See accompanying notes to the basic financial statements

Union Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$7,281,121	\$1,624,761	\$200,315	\$0	(\$5,456,045)
Special	3,046,915	0	598,289	0	(2,448,626)
Vocational	420,924	0	122,052	0	(298,872)
Support Services:					
Pupil	718,379	0	27,432	0	(690,947)
Instructional Staff	648,323	0	124,815	0	(523,508)
Board of Education	132,211	0	0	0	(132,211)
Administration	1,099,188	0	162,905	0	(936,283)
Fiscal	524,660	0	1,011	0	(523,649)
Operation and Maintenance of Plant	1,852,606	26,916	54,589	0	(1,771,101)
Pupil Transportation	1,136,634	0	63,257	100,000	(973,377)
Central	13,800	0	0	0	(13,800)
Operation of Non-Instructional Services	2,252	0	12,168	0	9,916
Food Service Operations	537,762	128,563	260,623	0	(148,576)
Extracurricular Activities	350,884	139,167	0	0	(211,717)
Interest and Fiscal Charges	21,216	0	0	0	(21,216)
<i>Total Governmental Activities</i>	<u>\$17,786,875</u>	<u>\$1,919,407</u>	<u>\$1,627,456</u>	<u>\$100,000</u>	<u>(14,140,012)</u>
		General Revenues			
		Property Taxes Levied for General Purposes			7,009,366
		Property Taxes Levied for Classroom Facilities Maintenance			28,936
		Grants and Entitlements not Restricted to Specific Programs			8,475,894
		Gifts and Donations			68,979
		Investment Earnings			35,861
		Miscellaneous			54,892
		<i>Total General Revenues</i>			<u>15,673,928</u>
		Change in Net Position			1,533,916
		<i>Net Position Beginning of Year</i>			<u>(4,863,060)</u>
		<i>Net Position End of Year</i>			<u>(\$3,329,144)</u>

See accompanying notes to the basic financial statements

Union Local School District
Balance Sheet
Governmental Funds
June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,365,276	\$1,145,648	\$3,510,924
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	11,000	0	11,000
Receivables:			
Property Taxes	7,081,412	0	7,081,412
Accounts	330	8,149	8,479
Intergovernmental	337,659	184,971	522,630
Interfund	59,539	0	59,539
Prepaid Items	24,679	2,494	27,173
Materials and Supplies Inventory	13,976	31,326	45,302
<i>Total Assets</i>	<u>\$9,893,871</u>	<u>\$1,372,588</u>	<u>\$11,266,459</u>
Liabilities			
Accounts Payable	\$45,332	\$14,506	\$59,838
Accrued Wages and Benefits	1,676,955	131,078	1,808,033
Interfund Payable	0	59,539	59,539
Intergovernmental Payable	572,022	33,293	605,315
<i>Total Liabilities</i>	<u>2,294,309</u>	<u>238,416</u>	<u>2,532,725</u>
Deferred Inflows of Resources			
Property Taxes	6,538,297	0	6,538,297
Unavailable Revenue	600,206	79,875	680,081
<i>Total Deferred Inflows of Resources</i>	<u>7,138,503</u>	<u>79,875</u>	<u>7,218,378</u>
Fund Balances			
Nonspendable:			
Inventories	13,976	31,326	45,302
Prepaid Items	24,679	2,494	27,173
Restricted for:			
Capital Outlay	0	26,071	26,071
Classroom Facilities Maintenance	0	336,979	336,979
Local Programs	0	101,976	101,976
Underground Storage Tank Premium	11,000	0	11,000
Committed to Capital Projects	0	8,509	8,509
Assigned to:			
Purchases on Order	411,404	0	411,404
Capital Projects	0	630,352	630,352
Unassigned (Deficit)	0	(83,410)	(83,410)
<i>Total Fund Balances</i>	<u>461,059</u>	<u>1,054,297</u>	<u>1,515,356</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$9,893,871</u>	<u>\$1,372,588</u>	<u>\$11,266,459</u>

See accompanying notes to the basic financial statements

Union Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2019*

Total Governmental Fund Balances \$1,515,356

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 11,083,363

Other long-term assets are not available to pay for current-
period expenditures and therefore are reported as deferred inflows of resources in the funds:

Intergovernmental	79,875	
Property Taxes	285,577	
Tuition and Fees	<u>314,629</u>	
 Total		 680,081

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas
in the governmental funds, an interest expenditure is reported when due. (1,442)

Some long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the funds:

General Obligation Term Bonds	590,000	
Compensated Absences	<u>782,259</u>	
 Total		 (1,372,259)

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

Net OPEB Asset	957,556	
Deferred Outflows - Pension	5,232,960	
Deferred Outflows - OPEB	504,429	
Net Pension Liability	(17,180,107)	
Net OPEB Liability	(1,990,886)	
Deferred Inflows - Pension	(1,106,414)	
Deferred Inflows - OPEB	<u>(1,651,781)</u>	
 Total		 <u>(15,234,243)</u>

Net Position of Governmental Activities (\$3,329,144)

See accompanying notes to the basic financial statements

Union Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$6,991,807	\$33,686	\$7,025,493
Intergovernmental	8,693,114	1,611,038	10,304,152
Interest	35,099	762	35,861
Tuition and Fees	1,447,037	0	1,447,037
Extracurricular Activities	10,559	128,608	139,167
Rent and Royalties	26,916	0	26,916
Gifts and Donations	3,827	65,152	68,979
Charges for Services	0	128,563	128,563
Miscellaneous	34,026	20,866	54,892
<i>Total Revenues</i>	<u>17,242,385</u>	<u>1,988,675</u>	<u>19,231,060</u>
Expenditures			
Current:			
Instruction:			
Regular	7,696,146	195,297	7,891,443
Special	2,663,390	509,260	3,172,650
Vocational	449,722	0	449,722
Support Services:			
Pupil	736,011	29,107	765,118
Instructional Staff	539,463	123,040	662,503
Board of Education	132,211	0	132,211
Administration	987,767	156,394	1,144,161
Fiscal	480,715	778	481,493
Operation and Maintenance of Plant	1,566,674	82,421	1,649,095
Pupil Transportation	854,227	75,006	929,233
Central	13,800	0	13,800
Operation of Non-Instructional Services	0	7,202	7,202
Food Service Operations	0	467,151	467,151
Extracurricular Activities	217,481	145,356	362,837
Capital Outlay	0	73,414	73,414
Debt Service:			
Principal Retirement	115,000	127,124	242,124
Interest on Capital Appreciation Bonds	0	197,867	197,867
Interest and Fiscal Charges	21,204	0	21,204
<i>Total Expenditures</i>	<u>16,473,811</u>	<u>2,189,417</u>	<u>18,663,228</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>768,574</u>	<u>(200,742)</u>	<u>567,832</u>
Other Financing Sources (Uses)			
Transfers In	0	564,301	564,301
Transfers Out	(529,195)	(35,106)	(564,301)
<i>Total Other Financing Sources (Uses)</i>	<u>(529,195)</u>	<u>529,195</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	239,379	328,453	567,832
<i>Fund Balances Beginning of Year</i>	<u>221,680</u>	<u>725,844</u>	<u>947,524</u>
<i>Fund Balances End of Year</i>	<u>\$461,059</u>	<u>\$1,054,297</u>	<u>\$1,515,356</u>

See accompanying notes to the basic financial statement:

Union Local School District
*Reconciliation of the 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 \$567,832

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Assets Additions	65,668	
Depreciation	(921,863)	
Total	(856,195)	(856,195)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Intergovernmental	(100,802)	
Property Taxes	12,809	
Tuition and Fees	177,724	
Total	89,731	89,731

Repayment of principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital Appreciation Bonds	127,124	
Capital Appreciation Bond Accretion	197,867	
General Obligation Bonds	45,000	
Capital Leases	70,000	
Total	439,991	439,991

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the Statement of Activities, and the accretion of interest of capital appreciation bonds is reported in the Statement of Activities

Accrued Interest	115	
Accretion on Capital Appreciation Bonds	(10,745)	
Total	(10,630)	(10,630)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the Statement of Activities. 10,618

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (98,570)

Compensated Absences

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 1,410,919

Pension	1,356,734	
OPEB	54,185	
Total	1,410,919	1,410,919

Except for amounts reported as deferred inflows/outflows, changes in net pension liability and net OPEB asset/liability are reported as pension/OPEB expense in the Statement of Activities. (19,780)

Pension	(1,931,497)	
OPEB	1,911,717	
Total	(19,780)	(19,780)

Changes in Net Position of Governmental Activities \$1,533,916

See accompanying notes to the basic financial statements

Union Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$6,339,960	\$7,053,722	\$7,053,722	\$0
Intergovernmental	7,813,729	8,693,409	8,693,409	0
Interest	27,280	30,351	35,099	4,748
Tuition and Fees	1,300,816	1,447,264	1,447,264	0
Extracurricular Activities	9,491	10,559	10,559	0
Rent	26,241	29,195	29,195	0
Gifts and Donations	3,440	3,827	3,827	0
Miscellaneous	12,243	37,829	37,836	7
<i>Total Revenues</i>	<u>15,533,200</u>	<u>17,306,156</u>	<u>17,310,911</u>	<u>4,755</u>
Expenditures				
Current:				
Instruction:				
Regular	7,712,618	7,957,259	7,663,103	294,156
Special	2,594,902	2,807,500	2,686,387	121,113
Vocational	476,739	501,534	452,644	48,890
Support Services:				
Pupil	766,723	785,400	738,999	46,401
Instructional Staff	519,973	544,565	524,352	20,213
Board of Education	181,616	189,001	177,790	11,211
Administration	947,402	1,022,686	980,017	42,669
Fiscal	436,054	486,436	467,783	18,653
Operation and Maintenance of Plant	1,723,380	1,795,699	1,634,005	161,694
Pupil Transportation	927,517	949,900	873,113	76,787
Central	14,000	14,000	13,800	200
Extracurricular Activities	231,287	251,337	212,184	39,153
Debt Service:				
Principal Retirement	115,000	115,245	115,000	245
Interest and Fiscal Charges	21,800	21,204	21,204	0
<i>Total Expenditures</i>	<u>16,669,011</u>	<u>17,441,766</u>	<u>16,560,381</u>	<u>881,385</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,135,811)</u>	<u>(135,610)</u>	<u>750,530</u>	<u>886,140</u>
Other Financing Sources (Uses)				
Advances In	108,203	635,851	108,203	(527,648)
Advances Out	(53,539)	(568,649)	(59,539)	509,110
Transfers In	0	320,474	0	(320,474)
Transfers Out	(500,000)	(1,833,217)	(529,195)	1,304,022
<i>Total Other Financing Sources (Uses)</i>	<u>(445,336)</u>	<u>(1,445,541)</u>	<u>(480,531)</u>	<u>965,010</u>
<i>Net Change in Fund Balance</i>	(1,581,147)	(1,581,151)	269,999	1,851,150
<i>Fund Balance Beginning of Year</i>	1,274,101	1,274,101	1,274,101	0
Prior Year Encumbrances Appropriated	318,042	318,042	318,042	0
<i>Fund Balance End of Year</i>	<u>\$10,996</u>	<u>\$10,992</u>	<u>\$1,862,142</u>	<u>\$1,851,150</u>

See accompanying notes to the basic financial statements

Union Local School District
Statement of Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$25,174	\$61,545
Liabilities		
Undistributed Monies	0	\$33,134
Due to Students	0	28,411
<i>Total Liabilities</i>	0	\$61,545
Net Position		
Held in Trust for Scholarships	25,174	
<i>Total Net Position</i>	\$25,174	

See accompanying notes to the basic financial statements

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

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and Donations	\$21,719
Deductions	
Payments in Accordance with Trust Agreements	<u>21,250</u>
<i>Change in Net Position</i>	469
<i>Net Position Beginning of Year</i>	<u>24,705</u>
<i>Net Position End of Year</i>	<u><u>\$25,174</u></u>

See accompanying notes to the basic financial statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1952 through the consolidation of the Union Township, Smith Local, Belmont, Bethesda, Lafferty, and Holloway schools. In 1968, the new Union Local School District was formed when the Flushing School District joined the consolidation. The combined high school, Union Local High School, was built in 1958, with the first class graduating in 1960. In the fall of 1998, the School District finished construction of a new high school. In the fall of 1999, construction of a new elementary school was complete, as well as renovations to the old high school which was converted into the middle school. It is located in Belmont County, and includes all of the Villages of Morristown, Belmont, Centerville, Bethesda, and Flushing. It is staffed by 63 non-certificated employees, 111 certificated full-time teaching personnel, and 19 administrative employees who provide services to 1,521 students. The School District currently operates two instructional/administrative buildings, one garage and one maintenance building.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

The School District is involved with the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), and the Belmont-Harrison Vocational School District, which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Plan (GRRP) which is defined as an insurance purchasing pool, and the Stark County Schools' Council of Governments Health Benefits Program (Council), which is defined as a shared risk insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Union Local School District have been prepared in conformity with generally accepted accounting principles (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 more significant of the School District's accounting policies are described as follows.

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

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

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

B. Fund Accounting

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

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

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

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 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.

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 the governmental funds.

E. Cash and Cash Equivalents

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

During fiscal year 2019, the School District had no investments.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2019 amounted to \$35,099, which includes \$13,068 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent cash restricted for insurance premiums related to the underground storage tank.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

All reported capital assets are depreciated except for land and construction in progress. 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>Estimated Lives</u>
Land and Land Improvements	N/A
Land Improvements	20 Years
Buildings and Improvements	5 - 50 Years
Furniture and Equipment	5-20 Years
Vehicles	5-20 Years

Union Local School District
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For the Fiscal Year Ended June 30, 2019

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Accrued Liabilities and Long-Term Obligations

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

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

On the government wide financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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

Bond issuance costs are expensed in in the funds in the period the bonds are issued.

O. Internal Activity

Transfers within government activities on the government-wide financial statements are reported in the same manner as general revenue.

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

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

P. Fund Balance

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

Non-spendable: The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the 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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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. The amount committed to Capital Projects in the other governmental funds represents gas and oil lease bonus revenue approved by the Board of Education to be used for capital projects.

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. The amount assigned to Capital Projects in the other governmental funds represents transfers of General Fund resources approved by the Board of Education to be used for capital projects.

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

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

Q. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources from local sources restricted to expenditures for student programs.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

S. Estimates

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

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

T. Budgetary Data

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

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

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*,

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government 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. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

	<u>General</u>
GAAP Basis	\$239,379
Revenue Accruals	68,526
Advances In	108,203
Expenditure Accruals	427,564
Advances Out	(59,539)
Encumbrances	<u>(514,134)</u>
Budget Basis	<u><u>\$269,999</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 requirements 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).
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.

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

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont County and Harrison County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2019 was \$257,538 in the General Fund. The amount available as an advance at June 30, 2018 was \$319,453 in the General Fund, and \$5,283 in the Classroom Facilities Maintenance Special Revenue Fund.

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

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue. The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$256,517,930	95.04%	\$305,637,280	87.05%
Public Utility Personal	13,379,260	4.96%	45,449,200	12.95%
	\$269,897,190	100.00%	\$351,086,480	100.00%
Tax Rate per \$1,000 of assessed valuation	\$29.00		\$28.50	

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

The School District received final collections of the 0.5 mill Classroom Facilities Maintenance Levy with the 2018 second half collections.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2019, consisted of property taxes, tuition and fees, interfund, and intergovernmental grants. 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$285,577 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	Amounts
Title II-A Grant	\$6,656
Early Childhood Education Grant	24,189
Early Childhood Special Education Grant	11,814
Title I Grant	34,663
IDEA B Grant	36,603
21st Century Grant	70,064
Belmont County Board of Developmental Disabilities	4,232
Medicaid	2,323
Ohio Department of Education	146,422
Excess Costs from Other School Districts	185,664
Total Intergovernmental Receivable	\$522,630

NOTE 8 - INTERNAL BALANCES AND TRANSFERS

Interfund Balances

Interfund balances at June 30, 2019 consisted of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Other Governmental Funds	\$59,539

The loans made to the Miscellaneous State Grants, Title I, and the Miscellaneous Federal Grants Special Revenue Funds were made to support the programs until grant monies are received to operate the programs.

Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	<u>Transfers Out</u>		
<u>Transfers In</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Other Governmental Funds	\$529,195	\$35,106	\$564,301

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

The General Fund made transfers to the Capital Projects Fund to accumulate resources for future capital projects. The Debt Service Fund transferred its excess cash balance to the Capital Project Fund following the retirement of the 2007 School Improvement Refunding Bonds.

NOTE 9 - CAPITAL ASSETS

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

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
Nondepreciable Capital Assets:				
Land and Land Improvements	\$1,842,760	\$0	\$0	\$1,842,760
Construction in Progress	9,757	0	0	9,757
Total Nondepreciable Capital Assets	1,852,517	0	0	1,852,517
Depreciable Capital Assets:				
Land Improvements	646,120	0	0	646,120
Buildings and Improvements	21,420,045	7,800	0	21,427,845
Furniture and Equipment	394,845	57,868	(6,100)	446,613
Vehicles	1,476,183	0	0	1,476,183
Total Depreciable Capital Assets	23,937,193	65,668	(6,100)	23,996,761
Accumulated Depreciation:				
Land Improvements	(100,410)	(57,802)	0	(158,212)
Buildings and Improvements	(13,091,040)	(689,128)	0	(13,780,168)
Furniture and Equipment	(227,526)	(44,018)	6,100	(265,444)
Vehicles	(431,176)	(130,915)	0	(562,091)
Total Accumulated Depreciation	(13,850,152)	(921,863)	6,100	(14,765,915)
Total Depreciable Capital Assets, Net	10,087,041	(856,195)	0	9,230,846
Governmental Capital Assets, Net	\$11,939,558	(\$856,195)	\$0	\$11,083,363

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$449,850
Special	83,498
Vocational	27,225
Support Services:	
Pupil	10,134
Instructional Staff	20,268
Administration	20,268
Fiscal	10,134
Operation of Maintenance and Plant	71,717
Pupil Transportation	153,558
Extracurricular	42,538
Food Service Operations	32,673
Total Depreciation Expense	<u>\$921,863</u>

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

NOTE 10 - RISK MANAGEMENT

Property, Fleet and Liability Insurance

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

The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$2,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$5,000 deductible with total coverage of \$46,952,929. The fleet coverage has limits of liability of \$1,000,000 for each accident with a \$1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Employee Benefits

The School District has contracted with the Stark County Schools' Council of Government Health Benefits Program (Council) to provide employee medical/surgical and dental, and vision benefits. The Council's Health Benefits Program is a shared risk pool comprised of over 100 member school districts, educational service centers and related agencies, see Note 18 for further information about the Council. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an existing school district subsequent to the settlements of all expenses and claims. Premiums for this coverage are \$826.93 for individual coverage per month and \$2,008.78 for family coverage per month. Employees contribute \$82.69 per month for single coverage and \$200.87 per month for family coverage, with the Board paying the balance of the premium. The premium is paid from the fund that pays the salary of the covered employee. Dental premiums are \$105.00 for individual coverage per month and \$259.06 for family coverage per month. Employees contribute \$10.50 per month for single coverage and \$25.90 per month for family coverage, with the Board paying the balance of the premium. Premiums for the vision coverage are \$22.41 for individual coverage per month and \$55.01 for family coverage per month. Employees contribute \$2.24 per month for single coverage and \$5.50 month for family coverage, with the Board paying the balance of the premium.

Workers' Compensation

For fiscal year 2019 the School District participated in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance purchasing pool (Note 18). The intent of the GRRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Participation in the GRRP is limited to school districts that can meet the GRRP's selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$321,844 for fiscal year 2019. Of this amount \$43,933 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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’

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fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

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The School District's contractually required contribution to STRS was \$1,034,890 for fiscal year 2019. Of this amount, \$147,922 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the 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	0.06318110%	0.05761379%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07119610%</u>	<u>0.05959032%</u>	
Change in Proportionate Share	<u>0.00801500%</u>	<u>0.00197653%</u>	
Proportionate Share of the Net Pension Liability	\$4,077,533	\$13,102,574	\$17,180,107
Pension Expense	\$613,698	\$1,317,799	\$1,931,497

At June 30, 2019, the School 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	\$223,627	\$302,448	\$526,075
Changes of assumptions	92,080	2,322,023	2,414,103
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	357,407	578,641	936,048
School District contributions subsequent to the measurement date	<u>321,844</u>	<u>1,034,890</u>	<u>1,356,734</u>
Total Deferred Outflows of Resources	<u>\$994,958</u>	<u>\$4,238,002</u>	<u>\$5,232,960</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$85,567	\$85,567
Net difference between projected and actual earnings on pension plan investments	112,976	794,525	907,501
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>113,346</u>	<u>113,346</u>
Total Deferred Inflows of Resources	<u>\$112,976</u>	<u>\$993,438</u>	<u>\$1,106,414</u>

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\$1,356,734 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$542,603	\$1,182,904	\$1,725,507
2021	185,996	928,041	1,114,037
2022	(133,814)	197,192	63,378
2023	(34,647)	(98,463)	(133,110)
Total	\$560,138	\$2,209,674	\$2,769,812

Actuarial Assumptions - SERS

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

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

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

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

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

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000

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Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$5,743,512	\$4,077,533	\$2,680,720

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:

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

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

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$19,134,584	\$13,102,574	\$7,997,295

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. No board members have elected Social Security.

NOTE 12 – DEFINED BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional

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health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$42,265.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$54,185 for fiscal year 2019. Of this amount \$43,872 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.06391620%	0.05761379%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.07176250%</u>	<u>0.05959032%</u>	
Change in Proportionate Share	<u>0.00784630%</u>	<u>0.00197653%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$1,990,886	\$0	\$1,990,886
Net OPEB (Asset)	\$0	(\$957,556)	(\$957,556)
OPEB Expense	\$146,990	(\$2,058,707)	(\$1,911,717)

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At June 30, 2019, the School 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	\$32,498	\$111,844	\$144,342
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	203,124	102,778	305,902
School District contributions subsequent to the measurement date	<u>54,185</u>	<u>0</u>	<u>54,185</u>
Total Deferred Outflows of Resources	<u>\$289,807</u>	<u>\$214,622</u>	<u>\$504,429</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$55,790	\$55,790
Changes of assumptions	178,866	1,304,745	1,483,611
Net difference between projected and actual earnings on OPEB plan investments	<u>2,987</u>	<u>109,393</u>	<u>112,380</u>
Total Deferred Inflows of Resources	<u>\$181,853</u>	<u>\$1,469,928</u>	<u>\$1,651,781</u>

\$54,185 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	(\$24,507)	(\$224,941)	(\$249,448)
2021	(12,436)	(224,941)	(237,377)
2022	25,788	(224,941)	(199,153)
2023	27,060	(200,098)	(173,038)
2024	26,853	(191,383)	(164,530)
Thereafter	<u>11,011</u>	<u>(189,002)</u>	<u>(177,991)</u>
Total	<u>\$53,769</u>	<u>(\$1,255,306)</u>	<u>(\$1,201,537)</u>

Actuarial Assumptions - SERS

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

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

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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:

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash

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

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

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$2,415,783	\$1,990,886	\$1,654,446

	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%)
School District's proportionate share of the net OPEB liability	\$1,606,279	\$1,990,886	\$2,500,173

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

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

Sensitivity of the School District's Proportionate Share of the Net OPEB 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 percent, 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 percent) or one percentage point higher (8.45 percent) 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%)
School District's proportionate share of the net OPEB asset	(\$820,715)	(\$957,556)	(\$1,072,564)

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

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,066,071)	(\$957,556)	(\$847,349)

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for all certified employees and 280 days for all classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 72 days for certificated employees provided such certified staff member has been continuously employed by the School District for nine years. Additionally, certified employees who have accumulated thirty-five years of service, twenty-five of which with the School District, shall receive a payment equal to thirty-five percent of accrued, but not used sick leave credit to a maximum of 105 days. Teachers who are a rehired retiree for the school year immediately following retirement may opt to retain and carryover ten (10) days of unused sick leave. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 70 days for classified employees provided such classified employee has been continuously employed by the School District for seven years.

Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all eligible employees through Consumers Life Insurance Company in the amount of \$40,000 per employee.

NOTE 14 - COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$514,134
Other Governmental	97,612
Total	\$611,746

NOTE 15 - CAPITAL LEASES – LESSEE DISCLOSURE

During fiscal year 2009, the School District entered into a capital lease to finance capital improvement projects. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lessor.

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

The assets acquired by the leases have been capitalized in government wide statements governmental activities as land, buildings and improvements of \$600,000, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities for the total value of the lease. Governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of \$380,000. Principal payments in fiscal year 2019 totaled \$70,000, in the governmental funds. As of June 30, 2019, the lease obligation has been fully retired.

NOTE 16 - LONG - TERM OBLIGATIONS

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

	Outstanding 6/30/2018	Additions	Reductions	Outstanding 6/30/2019	Amounts Due Within One Year
Governmental Activities:					
2007 School Improvement Refunding Bonds					
Capital Appreciation Bonds \$264,995 @ 4.3% - 4.35%	\$127,124	\$0	\$127,124	\$0	\$0
Accretion of Interest \$385,005 @ 8.284%	187,122	10,745	197,867	0	0
Premium \$152,903	10,618	0	10,618	0	0
Total 2007 School Improvement Refunding Bonds	<u>324,864</u>	<u>10,745</u>	<u>335,609</u>	<u>0</u>	<u>0</u>
2015 Energy Conservation and School Improvement Bonds					
Term Bonds \$740,000 @ 3.05%	635,000	0	45,000	590,000	45,000
Total General Obligation Bonds	<u>959,864</u>	<u>10,745</u>	<u>380,609</u>	<u>590,000</u>	<u>45,000</u>
Net Pension Liability					
SERS	3,774,932	302,601	0	4,077,533	0
STRS	13,686,279	0	583,705	13,102,574	0
Total Net Pension Liability	<u>17,461,211</u>	<u>302,601</u>	<u>583,705</u>	<u>17,180,107</u>	<u>0</u>
Net OPEB Liability					
SERS	1,715,343	275,543	0	1,990,886	0
STRS	2,247,876	0	2,247,876	0	0
Total Net OPEB Liability	<u>3,963,219</u>	<u>275,543</u>	<u>2,247,876</u>	<u>1,990,886</u>	<u>0</u>
Capital Leases	<u>70,000</u>	<u>0</u>	<u>70,000</u>	<u>0</u>	<u>0</u>
Compensated Absences	<u>683,689</u>	<u>159,283</u>	<u>60,713</u>	<u>782,259</u>	<u>79,611</u>
Total Long-Term Liabilities	<u>\$23,137,983</u>	<u>\$748,172</u>	<u>\$3,342,903</u>	<u>\$20,543,252</u>	<u>\$124,611</u>

2007 School Improvement Refunding Bonds - On May 8, 2007, the School District issued \$1,629,995 general obligation bonds, which included capital appreciation bonds in the amount of \$264,995. The bonds refunded \$1,629,995 of outstanding 1997 School Improvement Bonds. The serial bonds were issued at a 4.0 percent interest rate, for a period of nine years, with a final maturity of December 1, 2016. The term bonds were issued at a 3.75 percent interest rate, for a five year period, with a final maturity at December 1, 2012. At the date of refunding, \$1,720,030 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1997 School Improvement General Obligation Serial Bonds. The refunded bonds were called and fully repaid by December 1, 2007, through the escrow account.

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

The capital appreciation bonds were sold at an original price of \$264,995, with maturity dates of December 1, 2017 and 2018. At maturity all compounded interest is paid and the bond holder collects the face value. The maturity amount of the bonds was \$650,000. In fiscal year 2018, \$325,000 of the bonds matured. During fiscal year 2019, the remaining \$325,000 of capital appreciation bonds matured.

As of June 30, 2019, the 2007 School Improvement Refunding Bonds have been fully retired.

2015 Energy Conservation and School Improvement Bonds – On June 18, 2015, Union Local School District issued \$740,000 of general obligation bonds in accordance with House Bill 264. The bonds were issued to finance an energy conservation project. The term bonds were issued at a 3.05 percent interest rate, for a period of fourteen years with a final maturity of December 1, 2029.

The Term Bonds maturing on December 1, 2029 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the and in the respective principal amounts as follows:

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2015	\$20,000
2016	40,000
2017	45,000
2018	45,000
2019	45,000
2020	50,000
2021	50,000
2022	50,000
2023	50,000
2024	55,000
2025	55,000
2026	55,000
2027	60,000
2028	60,000

The remaining principal amount of such Term Bonds (\$60,000) will mature at stated maturity on December 1, 2029.

The principal and interest requirements to retire the remaining general obligation bonds for the 2015 Energy Conservation and School Improvement Bonds are as follows:

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

Fiscal Year Ending June 30,	Term Bonds	
	Principal	Interest
2020	\$45,000	\$17,309
2021	50,000	15,860
2022	50,000	14,335
2023	50,000	12,810
2024	50,000	11,285
2025-2029	285,000	31,340
2030	60,000	914
Total	\$590,000	\$103,853

The overall debt margin of the School District as of June 30, 2019 was \$31,367,880 with an unvoted debt margin of \$351,086.

There is no repayment schedule for the net pension liability or the net OPEB liability. However, employer pension and postemployment benefit contributions are made from the following funds: General, Food Service, Miscellaneous State Grants, Miscellaneous Federal, 21st Century Grant and Title I. For additional information related to the net pension liability and the net OPEB liability see Notes 11 and 12 respectively.

Compensated absences will be paid from the General Fund.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA). OME-RESA was created as a separate regional council of governments pursuant to State Statutes. OME-RESA operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2019, the total amount paid to OME-RESA from the School District was \$33,773 for technology services, \$200 for in-service and co-op costs, and \$9,331 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Belmont-Harrison Vocational School District - The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at 68090 Hammond Road, St. Clairsville, Ohio 43950.

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

NOTE 18 - PUBLIC ENTITY POOLS

Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Retrospective Rating Plan (GRRP) – The School District participates in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance purchasing pool. The GRRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRRP to cover the costs of administering the program. The School District's enrollment fee of \$1,860 for policy year 2019 was paid to CompManagement, Inc.

Shared Risk Insurance Purchasing Pool

The Stark County Schools' Council of Government Health Benefits Program (Council) – The Stark County Schools' Council of Governments (Council) Health Benefits program is a shared risk pool created pursuant to State Statute for the purposes of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

The School District is required by State Statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	261,291
Current Year Offsets	(645,617)
Current Year Qualifying Expenditures	(114,810)
Totals	(\$499,136)
Balance Carried Forward to Fiscal Year 2020	\$0
Set-aside Restricted Balance as of June 30, 2019	\$0

The School District had qualifying transfers and disbursements during the fiscal year that reduced the set-aside amount for capital improvements to below zero that may not be carried forward to future years. The School District also has capital expenditures paid from debt proceeds in connection with an energy conservation project that may be carried forward to offset future set-aside requirements.

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

NOTE 20 - CONTINGENCIES

Grants

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

State Foundation Funding

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

Litigation

The School District is currently party to legal proceedings. The School District management is of the opinion that the disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Paid Up Oil and Gas Leases

EQT Corp., - On December 10, 2013, the Board of Education entered into a “Paid Up” Oil and Gas Lease. The lease is for 6.95 acres of property owned by the Union Local Board of Education in Smith Township, Belmont County, Ohio, with Rice Drilling D, LLC. Subsequently, Rice Drilling D, LLC has been acquired by EQT Corp. In consideration of the execution of this lease, the School District received a signing bonus in the amount of \$43,437. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. During fiscal year 2019, the School District received royalty payments of in the amount of \$29,195. As of the date of the financial statements, the full value of any potential royalties cannot be determined.

EQT Corp., - On June 6, 2017, the Board of Education entered into a “Paid Up” Oil and Gas Lease. The lease is for 0.5 acres of property owned by the Union Local Board of Education in Wayne Township, Belmont County, Ohio, and is effective for a five year period, from the date of the agreement, with Rice Drilling D, LLC. Subsequently, Rice Drilling D, LLC has been acquired by EQT Corp. In consideration of the execution of this lease, the School District received a signing bonus in the amount of \$3,500. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the full value of any potential royalties cannot be determined.

The total carrying value of the land leased is \$90,093.

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Union Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Six Fiscal Years (1) **

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School District's Proportion of the Net Pension Liability	0.07119610%	0.06318110%	0.06105640%	0.05781720%
School District's Proportionate Share of the Net Pension Liability	\$4,077,533	\$3,774,932	\$4,468,766	\$3,299,106
School District's Covered Payroll	\$2,375,459	\$1,917,021	\$1,917,657	\$1,744,757
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	171.65%	196.92%	233.03%	189.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

<u>2015</u>	<u>2014</u>
0.05529900%	0.05529900%
\$2,798,652	\$3,288,454
\$1,617,309	\$1,495,164
173.04%	219.94%
71.70%	65.52%

Union Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Six Fiscal Years (1) **

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School District's Proportion of the Net Pension Liability	0.05959032%	0.05761379%	0.05676709%	0.05542771%
School District's Proportionate Share of the Net Pension Liability	\$13,102,574	\$13,686,279	\$19,001,656	\$15,318,598
School District's Covered Payroll	\$6,880,871	\$6,333,307	\$6,006,886	\$5,832,629
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.42%	216.10%	316.33%	262.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

<u>2015</u>	<u>2014</u>
0.05739464%	0.05739464%
\$13,960,363	\$16,629,493
\$5,858,631	\$5,619,839
238.29%	295.91%
74.70%	69.30%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.07176250%	0.06391620%	0.06154800%
School District's Proportionate Share of the Net OPEB Liability	\$1,990,886	\$1,715,343	\$1,754,346
School District's Covered Payroll	\$2,375,459	\$1,917,021	\$1,917,657
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	83.81%	89.48%	91.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

Union Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability
State Teachers Retirement System
*Last Three Fiscal Years (1) **

	2019	2018	2017
School District's Proportion of the Net OPEB (Asset) Liability	0.05959032%	0.05761379%	0.05676709%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$957,556)	\$2,247,876	\$3,035,919
School District's Covered Payroll	\$6,880,871	\$6,333,307	\$6,006,886
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-13.92%	35.49%	50.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

Union Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$321,844	\$320,687	\$268,383	\$268,472
Contributions in Relation to the Contractually Required Contribution	<u>(321,844)</u>	<u>(320,687)</u>	<u>(268,383)</u>	<u>(268,472)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,384,030	\$2,375,459	\$1,917,021	\$1,917,657
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$54,185	\$48,577	\$33,920	\$29,745
Contributions in Relation to the Contractually Required Contribution	<u>(54,185)</u>	<u>(48,577)</u>	<u>(33,920)</u>	<u>(29,745)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.27%</u>	<u>2.04%</u>	<u>1.77%</u>	<u>1.55%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.77%</u>	<u>15.54%</u>	<u>15.77%</u>	<u>15.55%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

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>
\$229,959	\$224,159	\$206,931	\$199,283	\$199,634	\$213,404
<u>(229,959)</u>	<u>(224,159)</u>	<u>(206,931)</u>	<u>(199,283)</u>	<u>(199,634)</u>	<u>(213,404)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,744,757	\$1,617,309	\$1,495,164	\$1,481,661	\$1,588,180	\$1,576,103
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$44,480	\$29,934	\$28,192	\$30,447	\$46,458	\$31,329
<u>(44,480)</u>	<u>(29,934)</u>	<u>(28,192)</u>	<u>(30,447)</u>	<u>(46,458)</u>	<u>(31,329)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.55%</u>	<u>1.85%</u>	<u>1.89%</u>	<u>2.05%</u>	<u>2.93%</u>	<u>1.99%</u>
<u>15.73%</u>	<u>15.71%</u>	<u>15.73%</u>	<u>15.50%</u>	<u>15.50%</u>	<u>15.53%</u>

Union Local School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$1,034,890	\$963,322	\$886,663	\$840,964
Contributions in Relation to the Contractually Required Contribution	<u>(1,034,890)</u>	<u>(963,322)</u>	<u>(886,663)</u>	<u>(840,964)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$7,392,071	\$6,880,871	\$6,333,307	\$6,006,886
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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>
\$816,568	\$761,622	\$730,579	\$740,592	\$805,569	\$812,897
<u>(816,568)</u>	<u>(761,622)</u>	<u>(730,579)</u>	<u>(740,592)</u>	<u>(805,569)</u>	<u>(812,897)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,832,629	\$5,858,631	\$5,619,839	\$5,696,864	\$6,196,686	\$6,253,050
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$58,586	\$56,198	\$56,969	\$61,967	\$62,531
<u>0</u>	<u>(58,586)</u>	<u>(56,198)</u>	<u>(56,969)</u>	<u>(61,967)</u>	<u>(62,531)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Union Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

NET PENSION LIABILITY

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates

Union Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

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.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

NET OPEB LIABILITY

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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

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UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance:			
National School Lunch Program (Food Donation)	10.555	2019	\$20,957
Cash Assistance:			
School Breakfast Program	10.553	2019	77,520
National School Lunch Program	10.555	2019	157,410
Cash Assistance Subtotal			<u>234,930</u>
Total Child Nutrition Cluster			<u>255,887</u>
Total U.S. Department of Agriculture			<u>255,887</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2018	24,501
		2019	152,578
Title I Program for Neglected and Delinquent Children		2019	24,615
Total Title I Grants to Local Educational Agencies			<u>201,694</u>
Special Education Cluster:			
Special Education_Grants to States			
	84.027	2018	13,151
		2019	285,135
Total Special Education_Grants to States			<u>298,286</u>
Special Education_Preschool Grants			
	84.173	2018	4,018
		2019	5,976
Total Special Education_Preschool Grants			<u>9,994</u>
Total Special Education Cluster			308,280
Twenty-First Century Community Learning Centers - Jet Adventure			
	84.287	2018	7,425
		2019	175,028
Twenty-First Century Community Learning Centers - Jet Start		2019	169,032
Total Twenty-First Century Community Learning Centers			<u>351,485</u>
Comprehensive Literacy Development - Striving Readers			
	84.371	2019	8,859
Improving Teacher Quality State Grants			
	84.367	2018	5,332
		2019	32,676
Total Supporting Effective Instruction State Grants			<u>38,008</u>
Student Support and Academic Enrichment Program			
	84.424	2019	16,559
Total U.S. Department of Education			<u>924,885</u>
Total Expenditures of Federal Awards			<u><u>\$1,180,772</u></u>

The accompanying notes are an integral part of this Schedule.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Union Local School District's (the School District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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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

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

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, the major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 4, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 4, 2020

OHIO AUDITOR OF STATE KEITH FABER



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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

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

The 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 program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the 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 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 School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The 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 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 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 4, 2020

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Special Education Cluster (IDEA, Part B) – CFDA #84.027 and #84.173 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



UNION LOCAL SCHOOL DISTRICT

BELMONT 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 18, 2020**