



OHIO AUDITOR OF STATE
KEITH FABER



**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Upper Scioto Valley Local School District
Hardin County
P.O. Box 305
510 South Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Accounting Basis

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

Emphasis of Matter

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

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

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

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

Other Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The management's discussion and analysis of the Upper Scioto Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- The total net cash position of the District increased \$1,242,452 or 16.84% from fiscal year 2019.
- General cash receipts accounted for \$7,633,631 or 83.39% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,520,634 or 16.61% of total governmental activities cash receipts.
- The District had \$7,911,813 in cash disbursements related to governmental activities; \$1,520,634 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily property taxes and grants and entitlements not restricted to specific programs) of \$7,633,631 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had cash receipts of \$7,632,044 and cash disbursements and other financing uses of \$6,645,116. During fiscal year 2020, the general fund's cash balance increased \$986,928 or 16.56%.

Using this Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the only major governmental fund is the general fund.

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2020?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities – cash basis the governmental activities include District's programs and services including instruction, support services which include operation and maintenance of plant and pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-18 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 19 of this report.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-53 of this report.

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2020 and June 30, 2019.

| | Net Cash Position | |
|--|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2020</u> | <u>2019</u> |
| <u>Assets</u> | | |
| Equity in pooled cash and cash equivalents | \$ 8,620,213 | \$ 7,377,761 |
| Total assets | <u>8,620,213</u> | <u>7,377,761</u> |
| <u>Net Cash Position</u> | | |
| Restricted | 933,167 | 704,969 |
| Unrestricted | <u>7,687,046</u> | <u>6,672,792</u> |
| Total net cash position | <u>\$ 8,620,213</u> | <u>\$ 7,377,761</u> |

The total net cash position of the District increased \$1,242,452 which represents a 16.84% increase from fiscal year 2019.

Restricted net cash position of \$933,167 represents resources that are subject to external restrictions on their use. The balance of government-wide unrestricted net cash position of \$7,687,046 may be used to meet the government's ongoing obligations to citizens and creditors.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The following table shows the changes in net cash position for fiscal years 2020 and 2019.

| | Change in Net Cash Position | |
|--------------------------------------|------------------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2020</u> | <u>2019</u> |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 322,138 | \$ 386,353 |
| Operating grants and contributions | 1,191,690 | 795,198 |
| Capital grants and contributions | <u>6,806</u> | <u>6,806</u> |
| Total program cash receipts | <u>1,520,634</u> | <u>1,188,357</u> |
| General cash receipts: | | |
| Property taxes | 2,630,039 | 2,402,453 |
| Income taxes | 418,842 | 398,093 |
| Unrestricted grants and entitlements | 4,289,813 | 4,463,934 |
| Investment earnings | 273,825 | 309,734 |
| Other | <u>21,112</u> | <u>17,681</u> |
| Total general cash receipts | <u>7,633,631</u> | <u>7,591,895</u> |
| Total cash receipts | <u>\$ 9,154,265</u> | <u>\$ 8,780,252</u> |

(Continued)

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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Change in Net Cash Position (Continued)

| | Governmental Activities <u>2020</u> | Governmental Activities <u>2019</u> |
|--|---|---|
| Cash Disbursements: | | |
| Instruction: | | |
| Regular | \$ 3,592,558 | \$ 3,531,648 |
| Special | 761,447 | 852,806 |
| Vocational | 370 | 3,247 |
| Support services: | | |
| Pupil | 359,088 | 397,920 |
| Instructional staff | 243,067 | 231,127 |
| Board of education | 13,723 | 13,942 |
| Administration | 487,856 | 551,292 |
| Fiscal | 280,970 | 285,254 |
| Business | 1,956 | 5,322 |
| Operations and maintenance | 808,948 | 667,494 |
| Pupil transportation | 334,552 | 420,109 |
| Central | 31,523 | 29,989 |
| Operation of non-instructional services: | | |
| Other non-instructional services | 21,696 | 369 |
| Food service operations | 239,342 | 289,823 |
| Extracurricular activities | 199,620 | 240,093 |
| Facilities acquisition and construction | 327,987 | 203,780 |
| Debt service: | | |
| Principal retirement | 175,000 | 170,000 |
| Interest and fiscal charges | <u>32,110</u> | <u>36,825</u> |
| Total cash disbursements | <u>7,911,813</u> | <u>7,931,040</u> |
| Change in net cash position | 1,242,452 | 849,212 |
| Net cash position at beginning of year | <u>7,377,761</u> | <u>6,528,549</u> |
| Net cash position at end of year | <u>\$ 8,620,213</u> | <u>\$ 7,377,761</u> |

Governmental Activities

Net cash position increased by \$1,242,452 in fiscal year 2020. Total governmental disbursements of \$7,911,813 were offset by program receipts of \$1,520,634 and general receipts of \$7,633,631. Program receipts supported 19.22% of the total governmental disbursements.

Total cash receipts in fiscal year 2020 were \$374,013 or 4.26% higher than the prior year. This is primarily due to an increase in operating grants and contributions. Two new grant sources were initiated in fiscal year 2020: the Student Wellness and Success Funds from the State and CARES Act Federal grant funding. The primary sources of receipts for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These sources represent 80.17% of total governmental receipts. Real estate property is reappraised every six years.

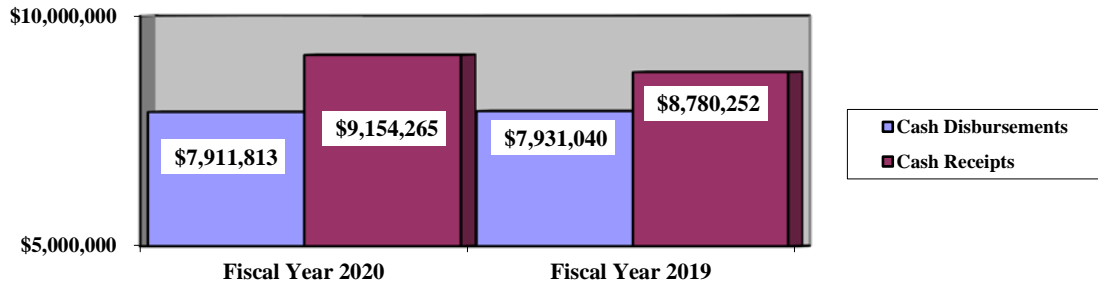
**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Total cash disbursements in fiscal year 2020 were \$19,227 or 0.24% less than the prior year. Most of the governmental disbursements were for the District's instructional programs, which amounted to \$4,354,375 or 55.04% of total governmental disbursements.

The graph below shows the District governmental activities cash receipts and cash disbursements for fiscal years 2020 and 2019.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The table below shows the total cost of services and the net cost of services (e.g. the cost of those services supported by general revenues of the District) for fiscal years 2020 and 2019:

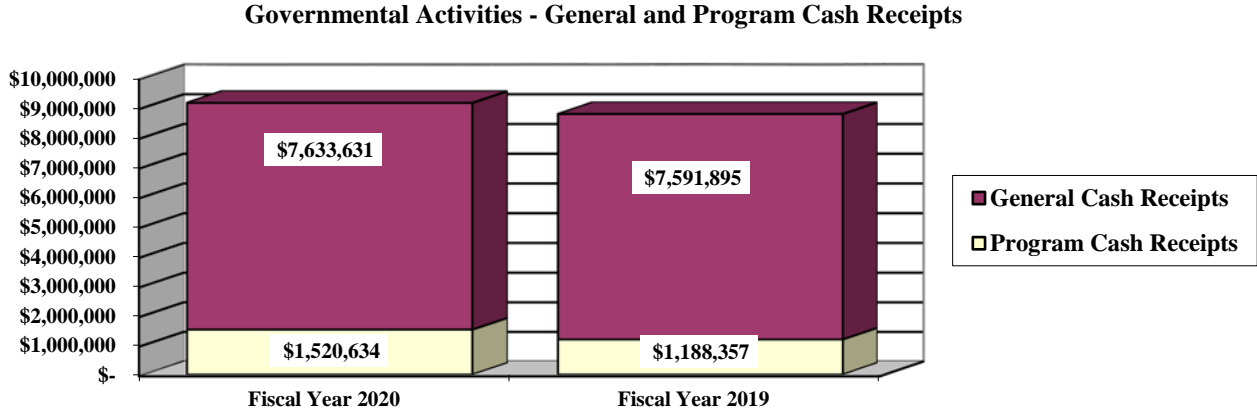
| | Governmental Activities | | | |
|--|--------------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | <u>2020</u> | <u>2020</u> | <u>2019</u> | <u>2019</u> |
| Cash disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$ 3,592,558 | \$ 3,220,519 | \$ 3,531,648 | \$ 3,190,357 |
| Special | 761,447 | 431,174 | 852,806 | 531,284 |
| Vocational | 370 | (10,678) | 3,247 | (7,743) |
| Support services: | | | | |
| Pupil | 359,088 | 179,659 | 397,920 | 350,744 |
| Instructional staff | 243,067 | 135,792 | 231,127 | 205,038 |
| Board of education | 13,723 | 13,723 | 13,942 | 13,942 |
| Administration | 487,856 | 463,604 | 551,292 | 551,292 |
| Fiscal | 280,970 | 275,107 | 285,254 | 285,254 |
| Business | 1,956 | 1,956 | 5,322 | 5,322 |
| Operations and maintenance | 808,948 | 732,064 | 667,494 | 619,123 |
| Pupil transportation | 334,552 | 288,612 | 420,109 | 400,692 |
| Central | 31,523 | 26,123 | 29,989 | 24,589 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 21,696 | 636 | 369 | 369 |
| Food service operations | 239,342 | (46,568) | 289,823 | 7,068 |
| Extracurricular activities | 199,620 | 144,359 | 240,093 | 154,747 |
| Facilities acquisition and construction | 327,987 | 327,987 | 203,780 | 203,780 |
| Debt service: | | | | |
| Principal retirement | 175,000 | 175,000 | 170,000 | 170,000 |
| Interest and fiscal charges | 32,110 | 32,110 | 36,825 | 36,825 |
| Total | <u>\$ 7,911,813</u> | <u>\$ 6,391,179</u> | <u>\$ 7,931,040</u> | <u>\$ 6,742,683</u> |

The dependence upon general cash receipts for governmental activities is apparent, with 80.78% of cash disbursements supported through taxes and other general cash receipts during 2020.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The graph below shows the District's governmental activities general receipts and program receipts for fiscal years 2020 and 2019.



Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$8,620,213 which is \$1,242,452 more than last year's total of \$7,377,761. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2020 and June 30, 2019.

| | Fund Cash Balance <u>June 30, 2020</u> | Fund Cash Balance <u>June 30, 2019</u> | <u>Change</u> |
|-----------------------------|---|---|---------------------|
| General | \$ 6,947,786 | \$ 5,960,858 | \$ 986,928 |
| Nonmajor governmental funds | <u>1,672,427</u> | <u>1,416,903</u> | <u>255,524</u> |
| Total | <u>\$ 8,620,213</u> | <u>\$ 7,377,761</u> | <u>\$ 1,242,452</u> |

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

General Fund

The general fund had cash receipts of \$7,632,044 and cash disbursements and other financing uses of \$6,645,116. During fiscal year 2020, the general fund's cash balance increased \$986,928 or 16.56%.

The table that follows assists in illustrating the cash receipts of the general fund.

| | <u>2020</u> <u>Amount</u> | <u>2019</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Receipts:</u> | | | |
| Property taxes | \$ 2,382,077 | \$ 2,174,724 | 9.53 % |
| Income taxes | 418,842 | 398,093 | 5.21 % |
| Tuition | 182,594 | 178,009 | 2.58 % |
| Earnings on investments | 120,684 | 153,560 | (21.41) % |
| Intergovernmental | 4,475,830 | 4,650,215 | (3.75) % |
| Other | <u>52,017</u> | <u>59,656</u> | (12.81) % |
| Total | <u>\$ 7,632,044</u> | <u>\$ 7,614,257</u> | 0.23 % |

Overall, general fund cash receipts were comparable to the prior year. Both property taxes and income taxes increased in fiscal year 2020. However, this was largely offset by a decrease in intergovernmental cash receipts due to a decreased allocation of Foundation Formula Funding from the State.

The table that follows assists in illustrating the cash disbursements of the general fund.

| | <u>2020</u> <u>Amount</u> | <u>2019</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|------------------------------------|
| <u>Cash Disbursements</u> | | | |
| Instruction | \$ 4,046,241 | \$ 4,131,905 | (2.07) % |
| Support services | 2,176,549 | 2,429,510 | (10.41) % |
| Operation of non instructional services | 229 | 369 | (37.94) % |
| Extracurricular activities | 145,759 | 147,777 | (1.37) % |
| Facilities acquisition and construction | <u>176,338</u> | <u>79,705</u> | 121.24 % |
| Total | <u>\$ 6,545,116</u> | <u>\$ 6,789,266</u> | (3.60) % |

General fund cash disbursements in fiscal year 2020 were slightly lower compared to the prior year. This was mostly due to additional State and Federal grant funding that allowed the District to report disbursements for some programs normally financed with general fund monies in the new grant funds.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Budgeting Highlights - General Fund

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

For the general fund, original budget basis receipts and other financing sources were \$7,485,104 and final budget basis receipts and other financing sources were \$7,687,083. Actual cash receipts and other financing sources of \$7,696,110 were more than final budget estimates by \$9,027. The original budgetary basis disbursements and other financing uses were \$7,613,948 and final budgetary basis disbursements and other financing uses were \$7,698,625. The actual budgetary basis disbursements and other financing uses of \$6,764,537 were \$934,088 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had \$327,987 in facilities acquisition and construction disbursements during fiscal year 2020.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2020 and 2019.

| | Governmental Activities <u>2020</u> | Governmental Activities <u>2019</u> |
|-----------------------------|---|---|
| General obligation bonds | \$ 760,000 | \$ 890,000 |
| Energy conservation notes | <u>200,000</u> | <u>245,000</u> |
| Total long-term obligations | <u>\$ 960,000</u> | <u>\$ 1,135,000</u> |

See Note 9 in the notes to the basic financial statements for more information on the District's long-term obligations.

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacy Gratz, Treasurer, Upper Scioto Valley Local School District, P.O. Box 305, 510 South Courtright Street, McGuffey, OH 45859.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020**

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents . . | \$ 8,620,213 |
| Total assets. | 8,620,213 |
| Net cash position: | |
| Restricted for: | |
| Classroom facilities maintenance | 217,036 |
| Debt service. | 436,248 |
| Locally funded programs | 893 |
| State funded programs. | 153,814 |
| Federally funded programs | 5,236 |
| District managed student activities | 26,249 |
| Other purposes. | 93,691 |
| Unrestricted | 7,687,046 |
| Total cash net position. | \$ 8,620,213 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Disbursements | Program Receipts | | | Net (Disbursements) |
|---|---------------------|--------------------------------|------------------------------------|----------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Receipts and Changes in Net Position Governmental Activities |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 3,592,558 | \$ 191,346 | \$ 180,693 | \$ - | \$ (3,220,519) |
| Special | 761,447 | 4,261 | 326,012 | - | (431,174) |
| Vocational | 370 | - | 11,048 | - | 10,678 |
| Support services: | | | | | |
| Pupil | 359,088 | - | 179,429 | - | (179,659) |
| Instructional staff | 243,067 | - | 107,275 | - | (135,792) |
| Board of education | 13,723 | - | - | - | (13,723) |
| Administration | 487,856 | - | 24,252 | - | (463,604) |
| Fiscal | 280,970 | - | 5,863 | - | (275,107) |
| Business | 1,956 | - | - | - | (1,956) |
| Operations and maintenance | 808,948 | 5,000 | 65,078 | 6,806 | (732,064) |
| Pupil transportation | 334,552 | 7,825 | 38,115 | - | (288,612) |
| Central | 31,523 | - | 5,400 | - | (26,123) |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 21,696 | 510 | 20,550 | - | (636) |
| Food service operations | 239,342 | 63,713 | 222,197 | - | 46,568 |
| Extracurricular activities | 199,620 | 49,483 | 5,778 | - | (144,359) |
| Facilities acquisition and construction | 327,987 | - | - | - | (327,987) |
| Debt Service: | | | | | |
| Principal retirement | 175,000 | - | - | - | (175,000) |
| Interest and fiscal charges | 32,110 | - | - | - | (32,110) |
| Total governmental activities | \$ 7,911,813 | \$ 322,138 | \$ 1,191,690 | \$ 6,806 | \$ (6,391,179) |

| General receipts: | |
|---|---------------------|
| Property taxes levied for: | |
| General purposes | 2,382,077 |
| Classroom maintenance | 219,522 |
| Debt service | 28,440 |
| Income taxes levied for general purposes | 418,842 |
| Grants and entitlements not restricted to specific programs | 4,289,813 |
| Investment earnings | 273,825 |
| Miscellaneous | 21,112 |
| Total general receipts | 7,633,631 |
| Change in cash net position | 1,242,452 |
| Net cash position at beginning of year | 7,377,761 |
| Net cash position at end of year | \$ 8,620,213 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------|--|---|
| Assets: | | | |
| Equity in pooled cash and cash equivalents. . . | \$ 6,947,786 | \$ 1,672,427 | \$ 8,620,213 |
| Total assets | \$ 6,947,786 | \$ 1,672,427 | \$ 8,620,213 |
| Cash fund balances: | | | |
| Restricted: | | | |
| Debt service | \$ - | \$ 436,248 | \$ 436,248 |
| Classroom facilities maintenance | - | 217,036 | 217,036 |
| Food service operations | - | 93,691 | 93,691 |
| Targeted academic assistance | - | 5,236 | 5,236 |
| Other purposes. | - | 154,707 | 154,707 |
| Extracurricular activities. | - | 26,249 | 26,249 |
| Committed: | | | |
| Capital improvements | - | 745,475 | 745,475 |
| Termination benefits. | 86,013 | - | 86,013 |
| Assigned: | | | |
| Student instruction | 3,293 | - | 3,293 |
| Student and staff support. | 42,123 | - | 42,123 |
| Subsequent year's appropriations. | 651,186 | - | 651,186 |
| Unassigned (deficit). | 6,165,171 | (6,215) | 6,158,956 |
| Total cash fund balances | \$ 6,947,786 | \$ 1,672,427 | \$ 8,620,213 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--|---|
| Cash Receipts: | | | |
| From local sources: | | | |
| Property taxes | \$ 2,382,077 | \$ 247,962 | \$ 2,630,039 |
| Income taxes | 418,842 | - | 418,842 |
| Tuition | 182,594 | - | 182,594 |
| Transportation fees | 7,825 | - | 7,825 |
| Earnings on investments | 120,684 | 153,739 | 274,423 |
| Charges for services | - | 60,874 | 60,874 |
| Extracurricular | 4,495 | 42,997 | 47,492 |
| Classroom materials and fees | 13,013 | - | 13,013 |
| Rental income | 5,000 | - | 5,000 |
| Contributions and donations | 4,400 | 5,778 | 10,178 |
| Other local revenues | 17,284 | 4,768 | 22,052 |
| Intergovernmental - intermediate | - | 9,268 | 9,268 |
| Intergovernmental - state | 4,463,096 | 216,906 | 4,680,002 |
| Intergovernmental - federal | 12,734 | 779,929 | 792,663 |
| Total revenues | <u>7,632,044</u> | <u>1,522,221</u> | <u>9,154,265</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 3,415,087 | 177,471 | 3,592,558 |
| Special | 630,784 | 130,663 | 761,447 |
| Vocational | 370 | - | 370 |
| Support services: | | | |
| Pupil | 330,499 | 28,589 | 359,088 |
| Instructional staff | 137,448 | 105,619 | 243,067 |
| Board of education | 13,723 | - | 13,723 |
| Administration | 461,822 | 26,034 | 487,856 |
| Fiscal | 270,020 | 10,950 | 280,970 |
| Business | 1,956 | - | 1,956 |
| Operations and maintenance | 634,824 | 174,124 | 808,948 |
| Pupil transportation | 300,134 | 34,418 | 334,552 |
| Central | 26,123 | 5,400 | 31,523 |
| Operation of non-instructional services: | | | |
| Other non-instructional services | 229 | 21,467 | 21,696 |
| Food service operations | - | 239,342 | 239,342 |
| Extracurricular activities | 145,759 | 53,861 | 199,620 |
| Facilities acquisition and construction | 176,338 | 151,649 | 327,987 |
| Debt service: | | | |
| Principal retirement | - | 175,000 | 175,000 |
| Interest and fiscal charges | - | 32,110 | 32,110 |
| Total disbursements | <u>6,545,116</u> | <u>1,366,697</u> | <u>7,911,813</u> |
| Excess of cash receipts over cash disbursements | <u>1,086,928</u> | <u>155,524</u> | <u>1,242,452</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 100,000 | 100,000 |
| Transfers (out) | <u>(100,000)</u> | <u>-</u> | <u>(100,000)</u> |
| Total other financing sources (uses) | <u>(100,000)</u> | <u>100,000</u> | <u>-</u> |
| Net change in fund balances | 986,928 | 255,524 | 1,242,452 |
| Cash fund balances at beginning of year | <u>5,960,858</u> | <u>1,416,903</u> | <u>7,377,761</u> |
| Cash fund balances at end of year | <u>\$ 6,947,786</u> | <u>\$ 1,672,427</u> | <u>\$ 8,620,213</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$2,240,175 | \$2,296,803 | \$2,382,077 | \$85,274 |
| Income taxes | 417,404 | 404,064 | 418,842 | 14,778 |
| Tuition | - | - | 182,593 | 182,593 |
| Transportation fees | - | - | 7,825 | 7,825 |
| Earnings on investments | - | - | 119,435 | 119,435 |
| Classroom materials and fees | - | - | 13,013 | 13,013 |
| Rental income | - | - | 5,000 | 5,000 |
| Contributions and donations | - | - | 3,890 | 3,890 |
| Other local revenues | 332,313 | 406,730 | 1,020 | (405,710) |
| Intergovernmental - state | 4,491,712 | 4,562,625 | 4,463,097 | (99,528) |
| Intergovernmental - federal | - | - | 12,734 | 12,734 |
| Total receipts | <u>7,481,604</u> | <u>7,670,222</u> | <u>7,609,526</u> | <u>(60,696)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,840,651 | 5,565,658 | 3,376,182 | 2,189,476 |
| Special | 512,295 | 529,876 | 630,784 | (100,908) |
| Vocational | 1,175 | 815 | 370 | 445 |
| Other | 112,892 | 109,561 | 83,185 | 26,376 |
| Support services: | | | | |
| Pupil | 266,240 | 295,374 | 330,499 | (35,125) |
| Instructional staff | 51,784 | 74,356 | 140,956 | (66,600) |
| Board of education | 8,037 | 8,100 | 13,723 | (5,623) |
| Administration | 35,183 | 35,001 | 461,822 | (426,821) |
| Fiscal | 106,327 | 99,362 | 287,847 | (188,485) |
| Business | 5,243 | 5,188 | 1,956 | 3,232 |
| Operations and maintenance | 452,522 | 485,821 | 649,235 | (163,414) |
| Pupil transportation | 112,335 | 118,230 | 300,934 | (182,704) |
| Central | 9,052 | 11,563 | 26,123 | (14,560) |
| Extracurricular activities | 2,521 | 19,783 | 134,583 | (114,800) |
| Facilities acquisition and construction | 97,691 | 189,937 | 176,338 | 13,599 |
| Total disbursements | <u>7,613,948</u> | <u>7,548,625</u> | <u>6,614,537</u> | <u>934,088</u> |
| Excess (deficiency) of receipts over (under) disbursements | (132,344) | 121,597 | 994,989 | 873,392 |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | - | 15,361 | 70,582 | 55,221 |
| Transfers (out) | - | (150,000) | (150,000) | - |
| Sale of capital assets | 3,500 | 1,500 | 16,002 | 14,502 |
| Total other financing sources (uses) | <u>3,500</u> | <u>(133,139)</u> | <u>(63,416)</u> | <u>69,723</u> |
| Net change in fund balance | (128,844) | (11,542) | 931,573 | 943,115 |
| Fund balance at beginning of year | 5,757,066 | 5,757,066 | 5,757,066 | - |
| Prior year encumbrances appropriated | 127,177 | 127,177 | 127,177 | - |
| Fund balance at end of year | <u>\$ 5,755,399</u> | <u>\$ 5,872,701</u> | <u>\$ 6,815,816</u> | <u>\$ 943,115</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2020

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents . . | \$ 20,682 | \$ 28,057 |
| Net cash position: | | |
| Held in trust for scholarships | 20,682 | - |
| Held on behalf of student activities | - | 28,057 |
| Total net cash position. | \$ 20,682 | \$ 28,057 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Private-Purpose Trust |
|---|----------------------------------|
| | Scholarship |
| Additions: | |
| Gifts and contributions. | \$ 900 |
| Deductions: | |
| Scholarships awarded | 2,800 |
| Change in net position | (1,900) |
| Net position at beginning of year. | 22,582 |
| Net position at end of year | \$ 20,682 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1929 through the consolidation of existing land areas and school districts. The District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties, and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn and McDonald Townships in Hardin County. It is staffed by 26 classified employees, 38 certified teaching personnel, and 4 administrative employees who provide services to 542 students and other community members. The District currently operates an instructional building, an administration building and a garage, all located on the main campus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center (the Career Center) (formerly the Ohio Hi-Point Joint Vocational School) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by any participating school district is limited to its representation on the Board. The Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2020, the District paid \$44,784 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

Midwest Regional Educational Service Center Local Professional Development Committee

The Midwest Regional Educational Service Center Local Professional Development Committee (LPDC) was established to plan, promote and facilitate effective and efficient professional educator license renewal standards and staff development activities. The LPDC is governed by an eight member Executive Board and one secretary. Financial information can be obtained from Keith Thomas, Midwest Regional Educational Service Center, 1973 State Route 47 W, Bellefontaine, Ohio 43311.

INSURANCE PURCHASING POOLS

Sheakley Worker's Compensation Group Rating Plan

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Hardin County School Employees' Health and Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust") is a public entity shared risk pool consisting of six school districts, the Triad Local School District and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental, vision and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Administrative Committee and payment of monthly premiums. Financial information can be obtained from Tim Bresnahan, AssuredPartners of Ohio, LLC at tim.bresnahan@assuredpartners.com or (440) 895-6573.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

RELATED ORGANIZATION

Alger Public Library

The Alger Public Library of the Upper Scioto Valley School District (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Upper Scioto Valley Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operation subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Alger Public Library of the Upper Scioto Valley School District, P.O. Box 18, 100 West Wagoner Street, Alger, Ohio 45812.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

C. Fund Accounting

The 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. The funds of the District are divided into two categories: governmental and fiduciary.

GOVERNMENTAL FUNDS

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

FIDUCIARY FUNDS

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

D. Basis of Presentation

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

The statement of net position - cash basis presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities - cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

E. Budgets

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control has been established by the Board at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below the legal level within all funds are made by the District Treasurer.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

F. Cash and Cash Equivalents

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

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

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$120,684, which includes \$15,819 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2020, the District's only investment is in STAR Ohio.

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt issues are reported as receipts when cash is received and principal and interest payments are reported as disbursements when paid.

J. Fund Cash Balance

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

The classifications are as follows:

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

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

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net cash position restricted for other purposes include resources restricted for food service operation receipts.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds are eliminated on the statement of net position - cash basis and the statement of activities - cash basis.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

N. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability and net OPEB asset, 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.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 90 "Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61" and GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance".

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for fiscal year 2020. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed by one year. The District has elected to postpone implementing the following pronouncements until the fiscal year ended June 30, 2021:

- Statement No. 84, *Fiduciary Activities*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

B. Deficit Fund Balances

Fund balances at June 30, 2020 included a deficit of \$6,215 in the CARES fund (a nonmajor governmental fund). The general fund is liable for the deficit in this fund. The deficit fund balance resulted from the advance spending of approved grant funds.

C. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, nets position/fund balances and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$341,628 and the bank balance of all District deposits was \$351,804. Of the bank balance, \$250,000 was covered by the FDIC and \$101,804 was covered by the OPCS.

B. Investments

As of June 30, 2020, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Carrying Value</u> | <u>Investment Maturities</u> <u>6 months or less</u> |
|------------------------|---------------------------|---|
| STAR Ohio | <u>\$ 8,327,324</u> | <u>\$ 8,327,324</u> |

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

| <u>Investment type</u> | <u>Carrying Value</u> | <u>% of Total</u> |
|------------------------|-----------------------|-------------------|
| STAR Ohio | \$ 8,327,324 | 100.00 |

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

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net position as of June 30, 2020:

| <u>Cash and investments per note</u> | |
|--------------------------------------|---------------------|
| Carrying amount of deposits | \$ 341,628 |
| Investments | <u>8,327,324</u> |
| Total | <u>\$ 8,668,952</u> |

| <u>Cash and investments per statement of net position - cash basis</u> | |
|--|---------------------|
| Governmental activities | \$ 8,620,213 |
| Private-purpose trust funds | 20,682 |
| Agency fund | <u>28,057</u> |
| Total | <u>\$ 8,668,952</u> |

NOTE 5 - OTHER COMMITMENTS

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

| <u>Fund Type</u> | <u>Year-End Encumbrances</u> |
|--------------------|------------------------------|
| General | \$ 40,182 |
| Other governmental | <u>7,737</u> |
| Total | <u>\$ 47,919</u> |

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison statement presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The primary difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as committed or assigned fund balance (cash basis). Additionally, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the public school support, district agency and termination benefits funds.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

| | <u>General fund</u> |
|-----------------------------|---------------------|
| Budget basis | \$ 931,573 |
| Funds budgeted elsewhere | 15,173 |
| Adjustment for encumbrances | <u>40,182</u> |
| Cash basis | <u>\$ 986,928</u> |

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Hardin, Auglaize and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2021 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2020 taxes were collected are:

| | 2019 Second Half Collections | | 2020 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 95,794,260 | 91.50 | \$ 96,439,420 | 88.79 |
| Public utility personal | <u>8,893,630</u> | <u>8.50</u> | <u>12,179,690</u> | <u>11.21</u> |
| Total | <u>\$ 104,687,890</u> | <u>100.00</u> | <u>\$ 108,619,110</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$31.30 | | \$31.20 | |

NOTE 8 - INCOME TAXES

The District levies a voted tax of 0.5 percent for general operations on the residents and estates. The tax was effective on January 1, 1996, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the general fund.

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2020, the following activity occurred in governmental activities long-term obligations.

| | <u>Balance</u> <u>06/30/19</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>06/30/20</u> | <u>Amounts</u> <u>Due in</u> <u>One Year</u> |
|---|-----------------------------------|------------------|---------------------|-----------------------------------|--|
| Governmental activities: | | | | | |
| <u>General obligation bonds:</u> | | | | | |
| Series 2012 Refunding bonds | \$ 890,000 | \$ - | \$ (130,000) | \$ 760,000 | \$ 125,000 |
| Total general obligation bonds payable | <u>890,000</u> | <u>-</u> | <u>(130,000)</u> | <u>760,000</u> | <u>125,000</u> |
| <u>Other long-term obligations:</u> | | | | | |
| Energy conservation note | <u>245,000</u> | <u>-</u> | <u>(45,000)</u> | <u>200,000</u> | <u>45,000</u> |
| Total other long-term obligations | <u>245,000</u> | <u>-</u> | <u>(45,000)</u> | <u>200,000</u> | <u>45,000</u> |
| Total governmental activities | <u>\$ 1,135,000</u> | <u>\$ -</u> | <u>\$ (175,000)</u> | <u>\$ 960,000</u> | <u>\$ 170,000</u> |

B. On April 17, 2012, the District issued Series 2012 school improvement refunding bonds to refund the callable portion of the series 2002 general obligation bonds (principal \$1,565,000). Issuance proceeds totaling \$1,564,999 were deposited with an escrow agent.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

This refunding issue is comprised of current interest term bonds, current interest serial bonds, and capital appreciation bonds, in the amount of \$1,015,000, \$530,000, and \$19,999, respectively. The interest rate on the current interest bonds ranges from 1.0% to 2.8%. The current interest term bonds mature on December 1, 2025 and will be retired through the bond retirement fund. The current interest serial bonds matured on December 1, 2017. The capital appreciation bonds matured on December 1, 2015 (interest rate yield 56.121%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity the capital appreciation bonds was \$120,000 with \$100,001 representing interest that accretes over the term of the bonds. At June 30, 2020, there were no capital appreciation bonds outstanding.

Interest payments on the current interest bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 1, 2025. Principal and interest payments are made from the Bond Retirement fund (a nonmajor governmental fund).

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2021 | 255,000 |
| 2023 | 270,000 |
| 2025 | 235,000 |

The following is a summary of the future debt requirements to maturity for the general obligation bonds:

| Fiscal Year Ending June 30, | Current Term General Obligation Bonds | | |
|--------------------------------|--|------------------|-------------------|
| | Principal | Interest | Total |
| 2021 | \$ 125,000 | \$ 18,027 | \$ 143,027 |
| 2022 | 130,000 | 15,095 | 145,095 |
| 2023 | 135,000 | 11,845 | 146,845 |
| 2024 | 135,000 | 8,335 | 143,335 |
| 2025 | 140,000 | 4,620 | 144,620 |
| 2026 | 95,000 | 1,330 | 96,330 |
| Total | <u>\$ 760,000</u> | <u>\$ 59,252</u> | <u>\$ 819,252</u> |

- C. On June 11, 2009, the District issued \$576,000 in energy conservation notes to finance electrical infrastructure upgrades. The notes bear an interest rate of 5.125% and mature December 1, 2023. The energy conservation notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest on these notes will be made from the bond retirement fund (a nonmajor governmental fund).

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt requirements to maturity for the energy conservation notes:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|-------------------|------------------|-------------------|
| 2021 | \$ 45,000 | \$ 9,097 | \$ 54,097 |
| 2022 | 50,000 | 6,663 | 56,663 |
| 2023 | 50,000 | 4,100 | 54,100 |
| 2024 | 55,000 | 1,409 | 56,409 |
| Total | <u>\$ 200,000</u> | <u>\$ 21,269</u> | <u>\$ 221,269</u> |

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$9,451,968 (including available funds of \$436,248) and an unvoted debt margin of \$108,619.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2020, the District contracted for the following insurance coverage:

| <u>Description</u> | <u>Amount</u> |
|--|---------------|
| Property | \$43,129,840 |
| Accounts receivable | 100,000 |
| Business interruption/rental income/tuition income combined | 250,000 |
| Extra expense | 1,000,000 |
| Crime | |
| Employee theft (per occurrence), forgery or alteration, computer fraud, funds transfer fraud | 100,000 |
| Theft of money and securities, social engineering fraud, limited finding for recovery | 25,000 |

Settled claims have not exceeded these coverages in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RISK MANAGEMENT – (Continued)

B. Employee Medical, Dental, Vision and Life Insurance

The District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust"), a public entity shared risk pool consisting of six local school districts, Triad Local School District, and the Ada Public Library (See Note 2.A.). Each participating member pays premiums to the Trust for employee medical, dental, life and vision coverage. The Trust is responsible for the management and operation of the program. Upon withdrawal, the District is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

C. Workers' Compensation

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full benefits | Age 65 with 5 years of services credit; or Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

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

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

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% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$115,276 for fiscal year 2020.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age

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

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

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.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$318,575 for fiscal year 2020.

Net Pension Liability

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

Following is information related to the proportionate share:

| | SERS | STRS | Total |
|--|---------------------|---------------------|--------------|
| Proportion of the net pension liability prior measurement date | 0.02588030% | 0.02022434% | |
| Proportion of the net pension liability current measurement date | <u>0.02379990%</u> | <u>0.01931816%</u> | |
| Change in proportionate share | <u>-0.00208040%</u> | <u>-0.00090618%</u> | |
| Proportionate share of the net pension liability | \$ 1,423,990 | \$ 4,272,095 | \$ 5,696,085 |

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.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| | |
|--|---|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|-------------|
| District's proportionate share of the net pension liability | \$ 1,995,519 | \$ 1,423,990 | \$ 944,691 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

| | July 1, 2019 |
|--------------------------------------|---|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% |

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| District's proportionate share of the net pension liability | \$ 6,243,191 | \$ 4,272,095 | \$ 2,603,461 |

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$15,813.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$15,813 for fiscal year 2020.

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, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability prior measurement date | 0.02622560% | 0.02022434% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.02456500%</u> | <u>0.01931816%</u> | |
| Change in proportionate share | <u>-0.00166060%</u> | <u>-0.00090618%</u> | |
| Proportionate share of the net OPEB liability | \$ 617,758 | \$ - | \$ 617,758 |
| Proportionate share of the net OPEB asset | \$ - | \$ 319,955 | \$ 319,955 |

Actuarial Assumptions - SERS

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

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

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

| | |
|--|--|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.13% |
| Prior measurement date | 3.62% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.22% |
| Prior measurement date | 3.70% |
| Medical trend assumption: | |
| Measurement date | |
| Medicare | 5.25 to 4.75% |
| Pre-Medicare | 7.00 to 4.75% |
| Prior measurement date | |
| Medicare | 5.375 to 4.75% |
| Pre-Medicare | 7.25 to 4.75% |

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

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

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

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the 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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| District's proportionate share of the net OPEB liability | \$ 749,841 | \$ 617,758 | \$ 512,737 |

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|---|--------------------|-------------------------------|--------------------|
| District's proportionate share of the net OPEB liability | \$ 494,949 | \$ 617,758 | \$ 780,696 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

| | July 1, 2019 | | July 1, 2018 | |
|--------------------------------------|---|----------|---|----------|
| | Initial | Ultimate | Initial | Ultimate |
| Inflation | 2.50% | | 2.50% | |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | | 7.45%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | | 3.00% | |
| Cost-of-living adjustments (COLA) | 0.00% | | 0.00% | |
| Discounted rate of return | 7.45% | | 7.45% | |
| Blended discount rate of return | N/A | | N/A | |
| Health care cost trends | | | | |
| Medical | | | | |
| Pre-Medicare | 5.87% | 4.00% | 6.00% | 4.00% |
| Medicare | 4.93% | 4.00% | 5.00% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 7.73% | 4.00% | 8.00% | 4.00% |
| Medicare | 9.62% | 4.00% | -5.23% | 4.00% |

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

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

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

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--|------------------------------|--------------------|
| | District's proportionate share of the net OPEB asset | \$ 273,018 | \$ 319,955 |

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|--|--|---------------------------|--------------------|
| | District's proportionate share of the net OPEB asset | \$ 362,814 | \$ 319,955 |

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service as derived from the OAPSE agreement. The Superintendent and Treasurer earn twenty days of vacation per year. Accumulated unused vacation time is paid upon termination of employment. Teachers do not earn vacation time.

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

B. Employee Insurance Benefits

The District provides employee medical, dental, vision and life insurance benefits through the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust"). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract.

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2020 Foundation funding for the District. As a result of the fiscal year 2020 reviews, the District received an additional \$1,597 from ODE. This amount has not been included in the financial statements.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2020 | \$ - |
| Current year set-aside requirement | 82,189 |
| Current year qualifying disbursements | - |
| Current year offsets | (312,034) |
| Prior year offset from bond proceeds | <u>-</u> |
| Total | <u>\$ (229,845)</u> |
| Balance carried forward to fiscal year 2021 | <u>\$ -</u> |
| Set-aside balance June 30, 2020 | <u><u>\$ -</u></u> |

During prior fiscal years, the District issued a total of \$2,336,189 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,298,684 at June 30, 2020.

NOTE 16- DONOR RESTRICTED ENDOWMENTS

The District's private-purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for disbursements by the District is \$20,682 and is included as held in trust for scholarships at June 30, 2020. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

NOTE 17 – PANDEMIC

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

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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Total Federal Expenditures |
|---|------------------------------------|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| <i>Passed Through Ohio Department of Education</i> | | |
| Child Nutrition Cluster: | | |
| School Breakfast Program: | | |
| Cash Assistance | 10.553 | \$ 41,456 |
| COVID-19 Cash Assistance | 10.553 | 30,669 |
| Total School Breakfast Program | | <u>72,125</u> |
| National School Lunch Program: | | |
| Non-Cash Assistance (Food Distribution) | 10.555 | 22,545 |
| Cash Assistance | 10.555 | 95,327 |
| COVID-19 Cash Assistance | 10.555 | 51,073 |
| Total National School Lunch Program | | <u>168,945</u> |
| Total Child Nutrition Cluster | | <u>241,070</u> |
| Total U.S. Department of Agriculture | | <u>241,070</u> |
| U.S. DEPARTMENT OF EDUCATION | | |
| <i>Passed Through Ohio Department of Education</i> | | |
| Title I Grants to Local Educational Agencies | 84.010 | 215,346 |
| Special Education Cluster (IDEA): | | |
| Special Education_Grants to States | 84.027 | 125,486 |
| Special Education_Preschool Grants | 84.173 | 5,177 |
| Total Special Education Cluster (IDEA) | | <u>130,663</u> |
| Supporting Effective Instruction State Grants | 84.367 | 27,027 |
| Rural Education | 84.358 | 24,237 |
| Student Support and Academic Enrichment Program | 84.424 | 7,469 |
| COVID-19 Education Stabilization Fund | 84.425 | 145,569 |
| Total U.S. Department of Education | | <u>550,311</u> |
| Total Expenditures of Federal Awards | | <u>\$ 791,381</u> |

The accompanying notes are an integral part of this schedule.

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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Upper Scioto Valley Local School District (the District) under programs of the federal government for the fiscal year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position, of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

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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

Upper Scioto Valley Local School District
Hardin County
P.O. Box 305
510 South Courtright Street
McGuffey, Ohio 45859

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 cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, (the District) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

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

Upper Scioto Valley Local School District
Hardin County
P.O. Box 305
510 South Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Upper Scioto Valley Local School District (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Upper Scioto Valley Local School District's major federal programs for the fiscal year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies each of the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on each Major Federal Program

In our opinion, the Upper Scioto Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on 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 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

January 8, 2021

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

| |
|--|
| 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)? | Yes |
| (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): | Child Nutrition Cluster Title 1 Grants to Local Educational Agencies (CFDA #84.010) |
| (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? | No |

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

FINDING NUMBER 2020-001

Noncompliance Citation

Ohio Rev. Code § 117.38(A) provides, in part, that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.” Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

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

Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

To help provide the users with more meaningful financial statements, the District should prepare its financial statements according to generally accepted accounting principles.

OFFICIALS' RESPONSE:

At the present time, the District feels it is more cost effective not to pursue GAAP conversion and the additional expense of implementation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2020

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|--|---------------|---|
| 2019-001 | <p>Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – Failed to file annual financial reports using generally accepted accounting principles.</p> <p>First reported in fiscal year 2004.</p> | Not Corrected | <p>The District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District.</p> <p>Will be repeated as Finding 2020-001.</p> |

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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
For the Fiscal Year Ended June 30, 2020

| | |
|-------------------------------------|---|
| Finding Number: | 2020-001 |
| Planned Corrective Action: | The District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District. |
| Anticipated Completion Date: | N/A |
| Responsible Contact Person: | Stacy Gratz, Treasurer |

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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Upper Scioto Valley Local School District
Hardin County
P.O. Box 305
510 South Courtright Street
McGuffey, Ohio 45859

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Accounting Basis

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

Emphasis of Matter

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

Other Matters

Other Information

We applied no procedures to management's discussion and analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- The total net cash position of the District increased \$849,212 or 13.01% from fiscal year 2018.
- General cash receipts accounted for \$7,591,895 or 86.47% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,188,357 or 13.53% of total governmental activities cash receipts.
- The District had \$7,931,040 in cash disbursements related to governmental activities; \$1,188,357 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily property taxes and grants and entitlements not restricted to specific programs) of \$7,591,895 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had cash receipts of \$7,614,257 in 2019. The cash disbursements and other financing uses of the general fund totaled \$6,794,266 in 2019. The general fund's cash balance increased \$819,991 or 15.95% from 2018 to 2019.

Using this Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2019?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund. The analysis of the District's major governmental funds begins on page 10.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-52 of this report.

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2019 and June 30, 2018.

| | Net Cash Position | |
|--|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2019</u> | <u>2018</u> |
| <u>Assets</u> | | |
| Equity in pooled cash and cash equivalents | \$ 7,377,761 | \$ 6,528,549 |
| Total assets | <u>7,377,761</u> | <u>6,528,549</u> |
| <u>Net Cash Position</u> | | |
| Restricted | 704,969 | 652,601 |
| Unrestricted | <u>6,672,792</u> | <u>5,875,948</u> |
| Total net cash position | <u>\$ 7,377,761</u> | <u>\$ 6,528,549</u> |

The total net cash position of the District increased \$849,212 which represents a 13.01% increase from fiscal year 2018.

Restricted net cash position of \$704,969 represents resources that are subject to external restrictions on their use. The balance of government-wide unrestricted net cash position of \$6,672,792 may be used to meet the government's ongoing obligations to citizens and creditors.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

The following table shows the changes in net cash position for fiscal year 2019 and 2018.

| | Change in Net Cash Position | |
|--------------------------------------|------------------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2019</u> | <u>2018</u> |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 386,353 | \$ 417,716 |
| Operating grants and contributions | 795,198 | 780,057 |
| Capital grants and contributions | <u>6,806</u> | <u>6,806</u> |
| Total program cash receipts | <u>1,188,357</u> | <u>1,204,579</u> |
| General cash receipts: | | |
| Property taxes | 2,402,453 | 2,457,148 |
| Income taxes | 398,093 | 405,158 |
| Unrestricted grants and entitlements | 4,463,934 | 4,454,589 |
| Investment earnings | 309,734 | 295,994 |
| Other | <u>17,681</u> | <u>6,633</u> |
| Total general cash receipts | <u>7,591,895</u> | <u>7,619,522</u> |
| Total cash receipts | <u>\$ 8,780,252</u> | <u>\$ 8,824,101</u> |

(Continued)

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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

Change in Net Cash Position (Continued)

| | Governmental Activities <u>2019</u> | Governmental Activities <u>2018</u> |
|--|---|---|
| Cash Disbursements: | | |
| Instruction: | | |
| Regular | \$ 3,531,648 | \$ 3,504,925 |
| Special | 852,806 | 870,119 |
| Vocational | 3,247 | 21,964 |
| Support services: | | |
| Pupil | 397,920 | 386,234 |
| Instructional staff | 231,127 | 226,192 |
| Board of education | 13,942 | 14,959 |
| Administration | 551,292 | 544,531 |
| Fiscal | 285,254 | 261,575 |
| Business | 5,322 | 2,716 |
| Operations and maintenance | 667,494 | 612,357 |
| Pupil transportation | 420,109 | 324,225 |
| Central | 29,989 | 29,014 |
| Operation of non-instructional services: | | |
| Other non-instructional services | 369 | 275 |
| Food service operations | 289,823 | 291,042 |
| Extracurricular activities | 240,093 | 205,597 |
| Facilities acquisition and construction | 203,780 | 222,882 |
| Debt service: | | |
| Principal retirement | 170,000 | 160,000 |
| Interest and fiscal charges | <u>36,825</u> | <u>41,398</u> |
| Total cash disbursements | <u>7,931,040</u> | <u>7,720,005</u> |
| Change in net cash position | 849,212 | 1,104,096 |
| Net cash position at beginning of year | <u>6,528,549</u> | <u>5,424,453</u> |
| Net cash position at end of year | <u>\$ 7,377,761</u> | <u>\$ 6,528,549</u> |

Governmental Activities

Net cash position increased by \$849,212 in fiscal year 2019. Total governmental disbursements of \$7,931,040 were offset by program receipts of \$1,188,357 and general receipts of \$7,591,895. Program receipts supported 14.98% of the total governmental disbursements.

Total cash receipts in fiscal year 2019 were comparable to the prior year. The primary sources of receipts for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These sources represent 82.74% of total governmental receipts. Real estate property is reappraised every six years.

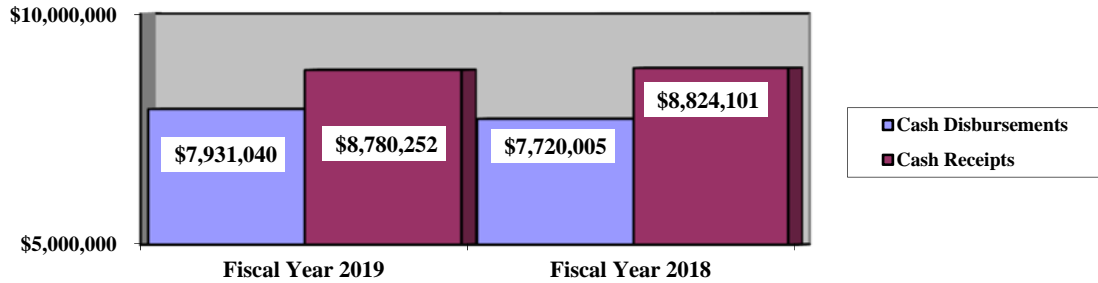
**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

Total cash disbursements in fiscal year 2019 were \$211,035 or 2.73% higher than the prior year. Most of the governmental disbursements were for the District's instructional programs, which amounted to \$4,387,701 or 55.32% of total governmental disbursements.

The graph below shows the District governmental activities cash receipts and cash disbursements for fiscal years 2019 and 2018.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

The table below shows the total cost of services and the net cost of services (e.g. the cost of those services supported by general revenues of the District) for fiscal years 2019 and 2018:

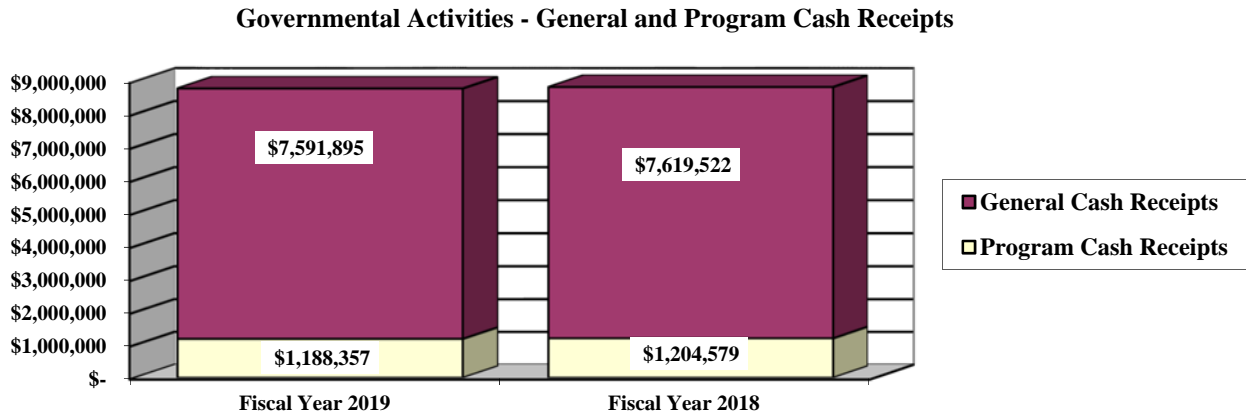
| | Governmental Activities | | | |
|--|--------------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | <u>2019</u> | <u>2019</u> | <u>2018</u> | <u>2018</u> |
| Cash disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$ 3,531,648 | \$ 3,190,357 | \$ 3,504,925 | \$ 3,188,498 |
| Special | 852,806 | 531,284 | 870,119 | 464,211 |
| Vocational | 3,247 | (7,743) | 21,964 | 16,313 |
| Support services: | | | | |
| Pupil | 397,920 | 350,744 | 386,234 | 350,701 |
| Instructional staff | 231,127 | 205,038 | 226,192 | 226,159 |
| Board of education | 13,942 | 13,942 | 14,959 | 14,959 |
| Administration | 551,292 | 551,292 | 544,531 | 543,230 |
| Fiscal | 285,254 | 285,254 | 261,575 | 261,575 |
| Business | 5,322 | 5,322 | 2,716 | 2,716 |
| Operations and maintenance | 667,494 | 619,123 | 612,357 | 559,782 |
| Pupil transportation | 420,109 | 400,692 | 324,225 | 312,631 |
| Central | 29,989 | 24,589 | 29,014 | 23,614 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 369 | 369 | 275 | 275 |
| Food service operations | 289,823 | 7,068 | 291,042 | (1,039) |
| Extracurricular activities | 240,093 | 154,747 | 205,597 | 127,521 |
| Facilities acquisition and construction | 203,780 | 203,780 | 222,882 | 222,882 |
| Debt service: | | | | |
| Principal retirement | 170,000 | 170,000 | 160,000 | 160,000 |
| Interest and fiscal charges | 36,825 | 36,825 | 41,398 | 41,398 |
| Total | <u>\$ 7,931,040</u> | <u>\$ 6,742,683</u> | <u>\$ 7,720,005</u> | <u>\$ 6,515,426</u> |

The dependence upon general cash receipts for governmental activities is apparent, with 85.02% of cash disbursements supported through taxes and other general cash receipts during 2019.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

The graph below shows the District's governmental activities general receipts and program receipts for fiscal years 2019 and 2018.



Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$7,377,761 which is \$849,212 more than last year's total of \$6,528,549. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2019 and June 30, 2018.

| | Fund Cash Balance <u>June 30, 2019</u> | Fund Cash Balance <u>June 30, 2018</u> | <u>Change</u> |
|-----------------------------|---|---|-------------------|
| General | \$ 5,960,858 | \$ 5,140,867 | \$ 819,991 |
| Nonmajor governmental funds | <u>1,416,903</u> | <u>1,387,682</u> | <u>29,221</u> |
| Total | <u>\$ 7,377,761</u> | <u>\$ 6,528,549</u> | <u>\$ 849,212</u> |

General Fund

The general fund had cash receipts of \$7,614,257 in 2019. The cash disbursements and other financing uses of the general fund totaled \$6,794,266 in 2019. The general fund's cash balance increased \$819,991 or 15.95% from 2018 to 2019.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

The table that follows assists in illustrating the cash receipts of the general fund.

| | <u>2019</u> <u>Amount</u> | <u>2018</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Receipts:</u> | | | |
| Property taxes | \$ 2,174,724 | \$ 2,241,073 | (2.96) % |
| Income taxes | 398,093 | 405,158 | (1.74) % |
| Tuition | 178,009 | 214,497 | (17.01) % |
| Earnings on investments | 153,560 | 87,656 | 75.18 % |
| Intergovernmental | 4,650,215 | 4,648,808 | 0.03 % |
| Other | <u>59,656</u> | <u>55,712</u> | 7.08 % |
| Total | <u>\$ 7,614,257</u> | <u>\$ 7,652,904</u> | (0.50) % |

Overall, general fund cash receipts were comparable to the prior year. The most significant changes were earnings on investments and tuition. Earnings on investments increased as interest rates on the District's investments continue to rise. Tuition receipts decreased due to a decline in special education tuition.

The table that follows assists in illustrating the cash disbursements of the general fund.

| | <u>2019</u> <u>Amount</u> | <u>2018</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|------------------------------------|
| <u>Cash Disbursements</u> | | | |
| Instruction | \$ 4,131,905 | \$ 4,117,770 | 0.34 % |
| Support services | 2,429,510 | 2,353,085 | 3.25 % |
| Operation of non instructional services | 369 | 275 | 34.18 % |
| Extracurricular activities | 147,777 | 129,501 | 14.11 % |
| Facilities acquisition and construction | <u>79,705</u> | <u>22,790</u> | 249.74 % |
| Total | <u>\$ 6,789,266</u> | <u>\$ 6,623,421</u> | 2.50 % |

General fund cash disbursements in fiscal year 2019 were slightly higher compared to the prior year. However, there were no significant increases or decreases.

Budgeting Highlights - General Fund

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

For the general fund, original budget basis receipts and other financing sources were \$7,264,640 and final budget basis receipts and other financing sources were \$7,504,300. Actual cash receipts and other financing sources of \$7,622,307 were more than final budget estimates by \$118,007. The original budgetary basis disbursements and other financing uses were \$7,291,551 and final budgetary basis disbursements and other financing uses were \$7,369,603. The actual budgetary basis disbursements and other financing uses of \$6,938,047 were \$431,556 less than the final budget estimates.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had \$203,780 in facilities acquisition and construction disbursements during fiscal year 2019.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2019 and 2018.

| | Governmental Activities <u>2019</u> | Governmental Activities <u>2018</u> |
|-----------------------------|---|---|
| General obligation bonds | \$ 890,000 | \$ 1,015,000 |
| Energy conservation notes | <u>245,000</u> | <u>290,000</u> |
| Total long-term obligations | <u>\$ 1,135,000</u> | <u>\$ 1,305,000</u> |

See Note 9 in the notes to the basic financial statements for more information on the District's long-term obligations.

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacy Gratz, Treasurer, Upper Scioto Valley Local School District, P.O. Box 305, 510 South Courtright Street, McGuffey, OH 45859.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019**

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents . . . | \$ 7,377,761 |
| Total assets. | 7,377,761 |
| Net cash position: | |
| Restricted for: | |
| Classroom facilities maintenance | 209,942 |
| Debt service. | 398,820 |
| Locally funded programs | 15,478 |
| State funded programs. | 4,000 |
| District managed student activities | 29,606 |
| Other purposes. | 47,123 |
| Unrestricted | 6,672,792 |
| Total cash net position. | \$ 7,377,761 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

| | <u>Disbursements</u> | <u>Program Receipts</u> | | | <u>Net (Disbursements)</u> |
|---|----------------------|---------------------------------------|---|---|---|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Receipts and Changes in Net Position</u> |
| | | | | | <u>Governmental Activities</u> |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$3,531,648 | \$191,367 | \$149,924 | \$0 | (\$3,190,357) |
| Special | 852,806 | 334 | 321,188 | - | (531,284) |
| Vocational | 3,247 | - | 10,990 | - | 7,743 |
| Support services: | | | | | |
| Pupil | 397,920 | - | 47,176 | - | (350,744) |
| Instructional staff | 231,127 | - | 26,089 | - | (205,038) |
| Board of education | 13,942 | - | - | - | (13,942) |
| Administration | 551,292 | - | - | - | (551,292) |
| Fiscal | 285,254 | - | - | - | (285,254) |
| Business | 5,322 | - | - | - | (5,322) |
| Operations and maintenance | 667,494 | 5,000 | 36,565 | 6,806 | (619,123) |
| Pupil transportation | 420,109 | 15,143 | 4,274 | - | (400,692) |
| Central | 29,989 | - | 5,400 | - | (24,589) |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 369 | - | - | - | (369) |
| Food service operations | 289,823 | 90,979 | 191,776 | - | (7,068) |
| Extracurricular activities | 240,093 | 83,530 | 1,816 | - | (154,747) |
| Facilities acquisition and construction | 203,780 | - | - | - | (203,780) |
| Debt Service: | | | | | |
| Principal retirement | 170,000 | - | - | - | (170,000) |
| Interest and fiscal charges | 36,825 | - | - | - | (36,825) |
| Total governmental activities | \$7,931,040 | \$386,353 | \$795,198 | \$6,806 | (6,742,683) |

General receipts:

Property taxes levied for:

| | |
|--|-----------|
| General purposes | 2,174,724 |
| Classroom maintenance | 25,066 |
| Debt service | 202,663 |
| Income taxes levied for general purpose: | 398,093 |
| Grants and entitlements not restricted | |
| to specific programs | 4,463,934 |
| Investment earnings | 309,734 |
| Miscellaneous | 17,681 |

| | |
|---|--------------------|
| Total general receipts | 7,591,895 |
| Change in cash net position | 849,212 |
| Net cash position at beginning of year | 6,528,549 |
| Net cash position at end of year | \$7,377,761 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------|--|---|
| Assets: | | | |
| Equity in pooled cash and cash equivalents. . . | \$ 5,960,858 | \$ 1,416,903 | \$ 7,377,761 |
| Total assets | \$ 5,960,858 | \$ 1,416,903 | \$ 7,377,761 |
| Cash fund balances: | | | |
| Restricted: | | | |
| Debt service | \$ - | \$ 398,820 | \$ 398,820 |
| Classroom facilities maintenance | - | 209,942 | 209,942 |
| Food service operations | - | 47,123 | 47,123 |
| Other purposes. | - | 19,478 | 19,478 |
| Extracurricular activities. | - | 29,606 | 29,606 |
| Committed: | | | |
| Capital improvements | - | 713,526 | 713,526 |
| Termination benefits. | 64,359 | - | 64,359 |
| Assigned: | | | |
| Student and staff support. | 77,595 | - | 77,595 |
| Facilities acquisition and construction | 61,578 | - | 61,578 |
| Subsequent year's appropriations. | 128,844 | - | 128,844 |
| Unassigned (deficit). | 5,628,482 | (1,592) | 5,626,890 |
| Total cash fund balances | \$ 5,960,858 | \$ 1,416,903 | \$ 7,377,761 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--|---|
| Cash Receipts: | | | |
| From local sources: | | | |
| Property taxes | \$ 2,174,724 | \$ 227,729 | \$ 2,402,453 |
| Income taxes. | 398,093 | - | 398,093 |
| Tuition. | 178,009 | - | 178,009 |
| Transportation fees. | 15,143 | - | 15,143 |
| Earnings on investments | 153,560 | 157,477 | 311,037 |
| Charges for services | - | 90,496 | 90,496 |
| Extracurricular. | 4,832 | 75,390 | 80,222 |
| Classroom materials and fees | 13,692 | - | 13,692 |
| Rental income | 5,000 | - | 5,000 |
| Contributions and donations | 2,525 | 1,260 | 3,785 |
| Other local revenues | 18,464 | 483 | 18,947 |
| Intergovernmental - intermediate | - | 19,013 | 19,013 |
| Intergovernmental - state | 4,585,103 | 62,870 | 4,647,973 |
| Intergovernmental - federal | 65,112 | 531,277 | 596,389 |
| Total revenues | <u>7,614,257</u> | <u>1,165,995</u> | <u>8,780,252</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular. | 3,401,822 | 129,826 | 3,531,648 |
| Special | 726,836 | 125,970 | 852,806 |
| Vocational | 3,247 | - | 3,247 |
| Support services: | | | |
| Pupil | 352,137 | 45,783 | 397,920 |
| Instructional staff | 203,671 | 27,456 | 231,127 |
| Board of education | 13,942 | - | 13,942 |
| Administration | 550,756 | 536 | 551,292 |
| Fiscal | 280,010 | 5,244 | 285,254 |
| Business. | 5,322 | - | 5,322 |
| Operations and maintenance | 661,264 | 6,230 | 667,494 |
| Pupil transportation | 337,819 | 82,290 | 420,109 |
| Central | 24,589 | 5,400 | 29,989 |
| Operation of non-instructional services: | | | |
| Other non-instructional services | 369 | - | 369 |
| Food service operations. | - | 289,823 | 289,823 |
| Extracurricular activities | 147,777 | 92,316 | 240,093 |
| Facilities acquisition and construction. | 79,705 | 124,075 | 203,780 |
| Debt service: | | | |
| Principal retirement. | - | 170,000 | 170,000 |
| Interest and fiscal charges | - | 36,825 | 36,825 |
| Total disbursements | <u>6,789,266</u> | <u>1,141,774</u> | <u>7,931,040</u> |
| Excess of cash receipts over cash disbursements | <u>824,991</u> | <u>24,221</u> | <u>849,212</u> |
| Other financing sources (uses): | | | |
| Transfers in. | - | 5,000 | 5,000 |
| Transfers (out) | <u>(5,000)</u> | <u>-</u> | <u>(5,000)</u> |
| Total other financing sources (uses) | <u>(5,000)</u> | <u>5,000</u> | <u>-</u> |
| Net change in fund balances | 819,991 | 29,221 | 849,212 |
| Cash fund balances at beginning of year . . | <u>5,140,867</u> | <u>1,387,682</u> | <u>6,528,549</u> |
| Cash fund balances at end of year. | <u>\$ 5,960,858</u> | <u>\$ 1,416,903</u> | <u>\$ 7,377,761</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$1,992,213 | \$2,174,725 | \$2,174,724 | \$ (1) |
| Income taxes. | 411,235 | 411,235 | 398,093 | (13,142) |
| Tuition. | 167,818 | 190,102 | 178,009 | (12,093) |
| Transportation fees. | 5,000 | 5,000 | 15,143 | 10,143 |
| Earnings on investments | 71,259 | 71,259 | 152,114 | 80,855 |
| Classroom materials and fees | 17,607 | 17,607 | 13,692 | (3,915) |
| Rental income | 5,000 | 5,000 | 5,000 | - |
| Contributions and donations | - | 1,000 | 2,525 | 1,525 |
| Other local revenues | 2,000 | 2,000 | - | (2,000) |
| Intergovernmental - state | 4,552,508 | 4,572,844 | 4,585,103 | 12,259 |
| Intergovernmental - federal | 35,000 | 35,000 | 65,112 | 30,112 |
| Total receipts | 7,259,640 | 7,485,772 | 7,589,515 | 103,743 |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,574,946 | 5,471,325 | 3,310,313 | 2,161,012 |
| Special. | 504,218 | 517,402 | 726,836 | (209,434) |
| Vocational. | 16,477 | 16,414 | 3,247 | 13,167 |
| Other. | 141,521 | 140,981 | 104,344 | 36,637 |
| Support services: | | | | |
| Pupil. | 236,757 | 259,016 | 352,679 | (93,663) |
| Instructional staff | 85,468 | 86,754 | 258,545 | (171,791) |
| Board of education | 9,553 | 9,516 | 13,942 | (4,426) |
| Administration. | 49,583 | 49,394 | 550,756 | (501,362) |
| Fiscal | 110,616 | 110,194 | 284,075 | (173,881) |
| Business | 2,677 | 2,667 | 5,322 | (2,655) |
| Operations and maintenance. | 418,438 | 458,337 | 666,186 | (207,849) |
| Pupil transportation | 95,913 | 96,655 | 338,679 | (242,024) |
| Central. | 9,978 | 9,940 | 24,589 | (14,649) |
| Extracurricular activities. | 2,527 | 2,518 | 152,251 | (149,733) |
| Facilities acquisition and construction | 32,879 | 138,490 | 141,283 | (2,793) |
| Total disbursements | 7,291,551 | 7,369,603 | 6,933,047 | 436,556 |
| Excess (deficiency) of receipts over (under) disbursements | (31,911) | 116,169 | 656,468 | 540,299 |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | - | 12,836 | 12,836 | - |
| Transfers in | - | - | 4,800 | 4,800 |
| Transfers (out). | - | - | (5,000) | (5,000) |
| Sale of capital assets | 5,000 | 5,692 | 15,156 | 9,464 |
| Total other financing sources (uses) | 5,000 | 18,528 | 27,792 | 9,264 |
| Net change in fund balance | (26,911) | 134,697 | 684,260 | 549,563 |
| Fund balance at beginning of year | 5,021,775 | 5,021,775 | 5,021,775 | - |
| Prior year encumbrances appropriated | 51,031 | 51,031 | 51,031 | - |
| Fund balance at end of year | \$ 5,045,895 | \$ 5,207,503 | \$ 5,757,066 | \$ 549,563 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2019

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents . . | \$ 22,582 | \$ 19,371 |
| Net cash position: | | |
| Held in trust for scholarships | 22,582 | - |
| Held on behalf of student activities | - | 19,371 |
| Total net cash position. | \$ 22,582 | \$ 19,371 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Private-Purpose Trust |
|---|----------------------------------|
| | Scholarship |
| Additions: | |
| Gifts and contributions. | \$ 650 |
| Deductions: | |
| Scholarships awarded | 1,820 |
| Change in net position | (1,170) |
| Net position at beginning of year. | 23,752 |
| Net position at end of year | \$ 22,582 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1929 through the consolidation of existing land areas and school districts. The District serves an area of approximately ninety-five square miles. It is located in Auglaize, Hardin, and Logan Counties, and includes all of the Villages of Alger and McGuffey, all of Marion and Roundhead Townships, and portions of Cessna, Lynn and McDonald Townships in Hardin County. It is staffed by 25 classified employees, 37 certified teaching personnel, and 3 administrative employees who provide services to 595 students and other community members. The District currently operates an instructional building, an administration building and a garage, all located on the main campus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

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

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center (the Career Center) (formerly the Ohio Hi-Point Joint Vocational School) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by any participating school district is limited to its representation on the Board. The Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2019, the District paid \$45,501 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

Midwest Regional Educational Service Center Local Professional Development Committee

The Midwest Regional Educational Service Center Local Professional Development Committee (LPDC) was established to plan, promote and facilitate effective and efficient professional educator license renewal standards and staff development activities. The LPDC is governed by a nine member Executive Board. Financial information can be obtained from Keith Thomas, Midwest Regional Educational Service Center, 121 South Opera Street, Bellefontaine, Ohio 43311.

INSURANCE PURCHASING POOLS

Sheakley Worker's Compensation Group Rating Plan

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Hardin County School Employees' Health and Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust") is a public entity shared risk pool consisting of six school districts, the Triad Local School District and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental, vision and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

**UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Administrative Committee and payment of monthly premiums. Financial information can be obtained from Tim Bresnahan, Assured Partners of Ohio, LLC at tim.bresnahan@assuredpartners.com or (440) 895-6573.

RELATED ORGANIZATION

Alger Public Library

The Alger Public Library of the Upper Scioto Valley School District (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Upper Scioto Valley Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operation subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Alger Public Library of the Upper Scioto Valley School District, P.O. Box 18, 100 West Wagoner Street, Alger, Ohio 45812.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

C. Fund Accounting

The 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. The funds of the District are divided into two categories: governmental and fiduciary.

GOVERNMENTAL FUNDS

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

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

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

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

FIDUCIARY FUNDS

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

D. Basis of Presentation

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

The statement of net position - cash basis presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities - cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

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

E. Budgets

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control has been established by the Board at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below the legal level within all funds are made by the District Treasurer.

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

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

F. Cash and Cash Equivalents

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

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

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$50 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

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

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 \$153,560, which includes \$27,660 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2019, the District's only investment is in STAR Ohio.

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

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt issues are reported as receipts when cash is received and principal and interest payments are reported as disbursements when paid.

J. Fund Cash Balance

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

The classifications are as follows:

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

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

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

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

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

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

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net cash position restricted for other purposes is for resources restricted for food service operations.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds are eliminated on the statement of net position - cash basis and the statement of activities - cash basis.

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

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

M. Extraordinary and Special Items

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

N. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability and net OPEB asset, 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

B. Deficit Fund Balances

Fund balances at June 30, 2019 included a deficit of \$1,592 in the Improving Teacher Quality fund (a non-major governmental fund). The general fund is liable for the deficit in this fund. The deficit fund balance resulted from the advance spending of approved grant funds.

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (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.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was \$2,096,980 and the bank balance of all District deposits was \$2,165,846. The entire bank balance was covered by the FDIC.

B. Investments

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

| Investment type | Carrying Value | <u>Investments Maturities</u> 6 months or less |
|-----------------|-------------------|--|
| STAR Ohio | \$ 5,322,734 | \$ 5,322,734 |

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

| <u>Investment type</u> | <u>Carrying Value</u> | <u>% of Total</u> |
|------------------------|---------------------------|-------------------|
| STAR Ohio | \$ 5,322,734 | 100.00 |

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

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

| | |
|--|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 2,096,980 |
| Investments | <u>5,322,734</u> |
| Total | <u>\$ 7,419,714</u> |
| <u>Cash and investments per statement of net cash position</u> | |
| Governmental activities | \$ 7,377,761 |
| Private - purpose trust funds | 22,582 |
| Agency fund | <u>19,371</u> |
| Total | <u>\$ 7,419,714</u> |

NOTE 5 - OTHER COMMITMENTS

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

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HARDIN COUNTY, OHIO**

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

NOTE 5 - OTHER COMMITMENTS - (Continued)

| <u>Fund Type</u> | <u>Year-End Encumbrances</u> |
|--------------------|----------------------------------|
| General | \$ 127,177 |
| Other governmental | <u>142,158</u> |
| Total | <u>\$ 269,335</u> |

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison statement presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than as committed or assigned fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance

| | <u>General fund</u> |
|-----------------------------|---------------------|
| Budget basis | \$ 684,260 |
| Funds budgeted elsewhere ** | 8,554 |
| Adjustment for encumbrances | <u>127,177</u> |
| Cash basis | <u>\$ 819,991</u> |

** As part of Governmental Accounting Standards Board No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support, district agency and termination benefits funds.

NOTE 7 - PROPERTY TAXES

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

NOTE 7 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

| | 2018 Second Half Collections | | 2019 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 95,460,410 | 94.00 | \$ 95,794,260 | 91.50 |
| Public utility personal | <u>6,094,420</u> | <u>6.00</u> | <u>8,893,630</u> | <u>8.50</u> |
| Total | <u>\$ 101,554,830</u> | <u>100.00</u> | <u>\$ 104,687,890</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$31.10 | | \$31.30 | |

NOTE 8 - INCOME TAXES

The District levies a voted tax of 0.5 percent for general operations on the residents and estates. The tax was effective on January 1, 1996, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the general fund.

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

NOTE 9 - LONG-TERM OBLIGATIONS

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

| | <u>Balance</u> <u>06/30/18</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>06/30/19</u> | <u>Amount</u> <u>Due in</u> <u>One Year</u> |
|--|-----------------------------------|------------------|---------------------|-----------------------------------|---|
| Governmental Activities: | | | | | |
| <u>General Obligation Bonds:</u> | | | | | |
| Series 2012 Refunding bonds | \$ 1,015,000 | \$ - | \$ (125,000) | \$ 890,000 | \$ 130,000 |
| Total general obligation bonds payable | <u>1,015,000</u> | <u>-</u> | <u>(125,000)</u> | <u>890,000</u> | <u>130,000</u> |
| <u>Other Long-Term Obligations</u> | | | | | |
| Energy conservation note | <u>290,000</u> | <u>-</u> | <u>(45,000)</u> | <u>245,000</u> | <u>45,000</u> |
| Total other long-term obligations | <u>290,000</u> | <u>-</u> | <u>(45,000)</u> | <u>245,000</u> | <u>45,000</u> |
| Total governmental activities | <u>\$ 1,305,000</u> | <u>\$ -</u> | <u>\$ (170,000)</u> | <u>\$ 1,135,000</u> | <u>\$ 175,000</u> |

- B. On April 17, 2012, the District issued Series 2012 school improvement refunding bonds to refund the callable portion of the series 2002 general obligation bonds (principal \$1,565,000). Issuance proceeds totaling \$1,564,999 were deposited with an escrow agent.

This refunding issue is comprised of current interest term bonds, current interest serial bonds, and capital appreciation bonds, in the amount of \$1,015,000, \$530,000, and \$19,999, respectively. The interest rate on the current interest bonds ranges from 1.0% to 2.8%. The current interest term bonds mature on December 1, 2025 and will be retired through the bond retirement fund. The current interest serial bonds matured on December 1, 2017. The capital appreciation bonds matured on December 1, 2015 (interest rate yield 56.121%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity the capital appreciation bonds was \$120,000 with \$100,001 representing interest that accretes over the term of the bonds. At June 30, 2019, there were no capital appreciation bonds outstanding.

Interest payments on the current interest bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 1, 2025. Principal and interest payments are made from the Bond Retirement fund (a non-major governmental fund).

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2019 | \$ 255,000 |
| 2021 | 255,000 |
| 2023 | 270,000 |
| 2025 | 235,000 |

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt requirements to maturity for the general obligation bonds:

| Fiscal Year Ending June 30, | Current Interest Term General Obligation Bonds | | |
|--------------------------------|---|------------------|-------------------|
| | Principal | Interest | Total |
| 2020 | \$ 130,000 | \$ 20,700 | \$ 150,700 |
| 2021 | 125,000 | 18,027 | 143,027 |
| 2022 | 130,000 | 15,095 | 145,095 |
| 2023 | 135,000 | 11,845 | 146,845 |
| 2024 | 135,000 | 8,335 | 143,335 |
| 2025 - 2026 | <u>235,000</u> | <u>5,950</u> | <u>240,950</u> |
| Total | <u>\$ 890,000</u> | <u>\$ 79,952</u> | <u>\$ 969,952</u> |

- C. On June 11, 2009, the District issued \$576,000 in energy conservation notes to finance electrical infrastructure upgrades. The notes bear an interest rate of 5.125% and mature December 1, 2023. The energy conservation notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest on these notes will be made from the bond retirement fund (a non-major governmental fund).

The following is a summary of the future debt requirements to maturity for the energy conservation notes:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|-----------------------------|-------------------|------------------|-------------------|
| 2020 | \$ 45,000 | \$ 11,403 | \$ 56,403 |
| 2021 | 45,000 | 9,097 | 54,097 |
| 2022 | 50,000 | 6,663 | 56,663 |
| 2023 | 50,000 | 4,100 | 54,100 |
| 2024 | <u>55,000</u> | <u>1,409</u> | <u>56,409</u> |
| Total | <u>\$ 245,000</u> | <u>\$ 32,672</u> | <u>\$ 277,672</u> |

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$8,930,730 (including available funds of \$398,820) and an un-voted debt margin of \$104,688.

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

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2019, the District contracted for the following insurance coverage:

| <u>Description</u> | <u>Amount</u> |
|--|---------------|
| Property | \$42,389,224 |
| Accounts receivable | 100,000 |
| Business interruption/rental income/tuition income combined | 250,000 |
| Extra expense | 1,000,000 |
| Crime | |
| Employee theft (per occurrence), computer fraud, funds transfer fraud | 100,000 |
| Forgery or alteration, theft of money and securities, social engineering fraud, limited finding for recovery | 25,000 |

Settled claims have not exceeded these coverages in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

B. Employee Medical, Dental, Vision and Life Insurance

The District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust"), a public entity shared risk pool consisting of six local school districts, Triad Local School District, and the Ada Public Library (See Note 2.A.). Each participating member pays premiums to the Trust for employee medical, dental, life and vision coverage. The Trust is responsible for the management and operation of the program. Upon withdrawal, the District is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

C. Workers' Compensation

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full benefits | Age 65 with 5 years of services credit; or Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

The District's contractually required contribution to SERS was \$116,726 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The District's contractually required contribution to STRS was \$324,387 for fiscal year 2019.

Net Pension Liability

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

Following is information related to the proportionate share:

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------------|--------------------|--------------|
| Proportion of the net pension liability prior measurement date | 0.02542530% | 0.02019119% | |
| Proportion of the net pension liability current measurement date | <u>0.02588030%</u> | <u>0.02022434%</u> | |
| Change in proportionate share | <u>0.00045500%</u> | <u>0.00003315%</u> | |
| Proportionate share of the net pension liability | \$ 1,482,213 | \$ 4,446,878 | \$ 5,929,091 |

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:

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

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 2,087,808 | \$ 1,482,213 | \$ 974,461 |

Actuarial Assumptions - STRS

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

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

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

| | <u>1% Decrease (6.45%)</u> | <u>Current Discount Rate (7.45%)</u> | <u>1% Increase (8.45%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$ 6,494,080 | \$ 4,446,878 | \$ 2,714,199 |

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

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

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$13,448.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$17,771 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

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

Net OPEB Liability/Asset

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|--------------------|--------------------|--------------|
| Proportion of the net OPEB liability prior measurement date | 0.02568210% | 0.02019119% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.02622560%</u> | <u>0.02022434%</u> | |
| Change in proportionate share | <u>0.00054350%</u> | <u>0.00003315%</u> | |
| Proportionate share of the net OPEB liability | \$ 727,569 | \$ - | \$ 727,569 |
| Proportionate share of the net OPEB asset | \$ - | \$ 324,984 | \$ 324,984 |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

| 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 discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

| | 1% Decrease (2.70%) | Current Discount Rate (3.70%) | 1% Increase (4.70%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | \$ 882,848 | \$ 727,569 | \$ 604,617 |
| | 1% Decrease (6.25 % decreasing to 3.75 %) | Current Trend Rate (7.25 % decreasing to 4.75 %) | 1% Increase (8.25 % decreasing to 5.75 %) |
| District's proportionate share of the net OPEB liability | \$ 587,015 | \$ 727,569 | \$ 913,688 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

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

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

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018. 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 District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB asset | \$ 278,542 | \$ 324,984 | \$ 364,017 |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| District's proportionate share of the net OPEB asset | \$ 361,814 | \$ 324,984 | \$ 287,582 |

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service as derived from the OAPSE agreement. The Superintendent and Treasurer earn twenty days of vacation per year. The Director of Education and High School Principal earn ten days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent, the treasurer, the Director of Education and the High School Principal upon termination of employment. Teachers do not earn vacation time.

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Employee Insurance Benefits

The District provides employee medical, dental, vision and life insurance benefits through the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the "Trust"). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract.

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2019, Foundation funding for the District; As a result of the fiscal year 2020 reviews, the District owed an additional \$431.59 to ODE. This amount has not been included in the financial statements.

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**UPPERSCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

NOTE 15 - SET-ASIDES - (Continued)

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2018 | \$ - |
| Current year set-aside requirement | 84,846 |
| Current year qualifying expenditures | (55,825) |
| Current year offsets | (209,774) |
| Prior year offset from bond proceeds | <u>-</u> |
| Total | <u>\$ (180,753)</u> |
| Balance carried forward to fiscal year 2020 | <u>\$ -</u> |
| Set-aside balance June 30, 2019 | <u>\$ -</u> |

During prior fiscal years, the District issued a total of \$2,336,189 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,298,684 at June 30, 2019.

NOTE 16 - DONOR RESTRICTED ENDOWMENTS

The District's private-purpose trust fund includes donor restricted endowments. The amount of net appreciation in donor restricted investments that is available for disbursements by the District is \$22,582 and is included as held in trust for scholarships at June 30, 2019. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the monies should be used to provide a scholarship each year.

NOTE 17 – COVID-19 PANDEMIC

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

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

Upper Scioto Valley Local School District
Hardin County
P.O. Box 305
510 South Courtright Street
McGuffey, Ohio 45859

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 cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Upper Scioto Valley Local School District, Hardin County, (the District) as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2019-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2019

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

FINDING NUMBER 2019-001

Noncompliance Citation

Ohio Rev. Code § 117.38(A) provides, in part, that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.” Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

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

Failure to report on a GAAP basis compromises the District’s ability to evaluate and monitor the overall financial condition of the District.

To help provide the users with more meaningful financial statements, the District should prepare its financial statements according to generally accepted accounting principles.

OFFICIALS’ RESPONSE:

At the present time, the District feels it is more cost effective not to pursue GAAP conversion and the additional expense of implementation.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2019

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|--|---------------|---|
| 2018-001 | <p>Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – Failed to file annual financial reports using generally accepted accounting principles.</p> <p>First reported in fiscal year 2004.</p> | Not Corrected | <p>The District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District.</p> <p>Will be repeated as Finding 2019-001.</p> |

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OHIO AUDITOR OF STATE KEITH FABER



UPPER SCIOTO VALLEY LOCAL SCHOOL DISTRICT

HARDIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/18/2021

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

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