





**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
JUNE 30, 2019**

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FRANKLIN COUNTY  
JUNE 30, 2019

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Reynoldsburg City School District  
Franklin County  
7244 East Main Street  
Reynoldsburg, OH 43068-3585

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County, Ohio (the District), as of and for the 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 modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County, Ohio, as of June 30, 2019, and the respective changes in modified cash financial position and where applicable cash flows and the budgetary comparison for the General fund and thereof for the 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 modified 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 19 to the financial statements, the District restated fund balances for the Building and Other Governmental Funds due to a change in presentation of major funds for fiscal year 2019. 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 & 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 15, 2020, 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 15, 2020

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**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

This discussion and analysis of the Reynoldsburg City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2019, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year are as follows:

- Net Position of the District decreased by approximately \$1.5 million, or 1.9%, in comparison with the prior fiscal year. The fund most affected by the decrease in cash and cash equivalents was the Building Fund, which decreased by approximately \$8.4 million.
- The District's general receipts are primarily property taxes and unrestricted grants and entitlements. These receipts represent respectively 30.6% and 43.7% of the total cash received for Governmental activities during the year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was approximately \$44.2 million.

**Using the Basic Financial Statements**

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

**Report Components**

The statement of net position and the statement of activities provide information about the modified cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide additional explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on the modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid, with the exception of investment purchases and sales of investments.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

As a result of using the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the District as a Whole**

The statement of net position and the statement of activities reflect how the District did financially during the fiscal year, within the limitations of the modified cash basis of accounting. The statement of net position presents the cash balances and investments of the Governmental activities of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each Governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, all of the District's activities are classified as Governmental. The Governmental activities of the District include instruction, support services, extracurricular activities, food service, facilities acquisition and construction, and other non-instructional services. State and federal grants and income and property taxes finance most of these activities. Benefits provided through Governmental activities are not necessarily paid for by the people receiving them.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into three categories: governmental, proprietary and fiduciary.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major Governmental funds are the General Fund, Debt Service Fund, and Capital Projects Fund. The programs reported in Governmental funds are closely related to those reported in the Governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the Governmental fund financial statements.

Proprietary Funds – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The District has no enterprise funds. When the services are provided to other departments of the District, the service is reported as an internal service fund. The District has one internal service fund to account for self-insurance activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the Government-wide financial statements because the resources of these funds are not available to support the District's programs.

**District-wide Financial Analysis**

The table below provides a summary of the District's modified cash basis net position for 2019 and 2018.

	2019	2018	Percent Change
<b>Assets</b>			
Cash and Investments	\$ 77,656,630	\$ 79,155,745	-1.89%
Total Assets	<u>77,656,630</u>	<u>79,155,745</u>	-1.89%
<b>Net Position</b>			
Restricted	11,848,607	19,406,415	-38.94%
Unrestricted	65,808,023	59,749,330	10.14%
Total Net Position	<u>\$ 77,656,630</u>	<u>\$ 79,155,745</u>	-1.89%

The significant decrease in cash and investments and restricted net position are primarily the result of the District spending down bond proceeds to construct, improve, furnish, and equip school facilities.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

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

	2019	2018	Percent Change
<b>Program Receipts</b>			
Charges for Services and Sales	\$ 6,554,707	\$ 7,179,894	-8.71%
Operating Grants and Contributions	7,902,771	6,867,915	15.07%
Capital Grants and Contributions	161,827	-	100.00%
<b>General Receipts</b>			
Property Taxes	30,689,358	30,932,540	-0.79%
Income Taxes	5,780,394	5,502,242	5.06%
Payment in Lieu of Taxes	2,554,430	2,368,606	7.85%
Grants and Entitlements	43,898,654	42,490,252	3.31%
Premium on Bonds	-	72,131	-100.00%
Bond Proceeds	-	13,415,000	-100.00%
Investment Earnings	1,741,019	894,067	94.73%
Miscellaneous	1,310,760	777,444	68.60%
Total Receipts	<u>100,593,920</u>	<u>110,500,091</u>	-8.96%
<b>Program Disbursements</b>			
Instructional	48,328,559	44,871,796	7.70%
Support Services	31,161,148	28,823,299	8.11%
Non-instructional	4,306,380	4,238,862	1.59%
Extracurricular Activities	1,156,230	1,130,888	2.24%
Facilities Acquisition and Construction	8,045,628	8,379,590	-3.99%
Debt Service			
Principal	4,925,000	4,865,000	1.23%
Interest and Fiscal Charges	4,170,090	4,090,193	1.95%
Total Disbursements	<u>102,093,035</u>	<u>96,399,628</u>	5.91%
Change in Net Position	<u>(1,499,115)</u>	<u>14,100,463</u>	
Net Position at Beginning of Year	<u>79,155,745</u>	<u>65,055,282</u>	
Net Position at End of Year	<u>\$ 77,656,630</u>	<u>\$ 79,155,745</u>	

The significant decrease in Bond Proceeds and Premium on Bonds is the result of the District issuing bonds during fiscal year 2018.

The significant increase in Investment Earnings is the result of additional funds available for investment, coupled with improved market conditions.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

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

	<u>Total Cost of Services 2019</u>	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2019</u>	<u>Net Cost of Services 2018</u>
Program expenses				
Instructional	\$ 48,328,559	\$ 44,871,796	\$ 39,830,640	\$ 36,477,805
Support Services	31,161,148	28,823,299	30,047,147	28,091,249
Non-instructional	4,306,380	4,238,862	(112,126)	(96,612)
Extracurricular Activities	1,156,230	1,130,888	567,351	544,595
Facilities Acquisition and Construction	8,045,628	8,379,590	8,045,628	8,379,590
Debt Service				
Principal	4,925,000	4,865,000	4,925,000	4,865,000
Interest and Fiscal Charges	4,170,090	4,090,193	4,170,090	4,090,193
Total	<u>\$ 102,093,035</u>	<u>\$ 96,399,628</u>	<u>\$ 87,473,730</u>	<u>\$ 82,351,820</u>

The dependence upon tax and other general revenues is apparent, as 82 percent of instructional activities are supported through taxes and other general revenues. For all Governmental activities, support from general receipts is 86 percent. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

**The District's Funds**

The District's Governmental funds reported a combined fund balance of approximately \$65.7 million.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	<u>Fund Balance June 30, 2019</u>	<u>Restated Fund Balance June 30, 2018</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
General	\$ 45,634,693	\$ 39,011,785	\$ 6,622,908
Debt Service	5,899,507	5,504,442	395,065
Capital Projects	6,277,577	6,716,250	(438,673)
Other Governmental Funds	7,865,789	15,751,612	(7,885,823)
Total	<u>\$ 65,677,566</u>	<u>\$ 66,984,089</u>	<u>\$ (1,306,523)</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

***General Fund***

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

	2019	2018	Percentage Change
<u>Receipts:</u>			
Taxes	\$ 28,647,375	\$ 28,238,009	1.45%
Payment in Lieu of Taxes	2,542,485	2,356,799	7.88%
Charges for Services	215,324	29,342	633.84%
Tuition and Fees	4,782,910	5,486,271	-12.82%
Earnings on Investments	1,617,696	871,354	85.65%
Intergovernmental	42,886,075	41,412,803	3.56%
Extracurricular	33,726	30,493	10.60%
Other	1,089,044	747,311	45.73%
Total Receipts	<u>81,814,635</u>	<u>79,172,382</u>	3.34%
<u>Disbursements:</u>			
Instruction	44,492,288	41,668,530	6.78%
Support Services	27,620,028	26,841,129	2.90%
Other Non-Instructional Services	1,260	26,694	-95.28%
Extracurricular Activities	412,015	405,067	1.72%
Facilities Acquisition and Construction	241,051	5,505	4278.76%
Debt Service	1,050,499	161,584	550.13%
Total Disbursements	<u>73,817,141</u>	<u>69,108,509</u>	6.81%
Excess of Receipts Over Disbursements	<u>7,997,494</u>	<u>10,063,873</u>	-20.53%
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	16,832	522	3124.52%
Insurance Proceeds	7,034	9,753	-27.88%
Transfer In/Out	(934,057)	(2,426,003)	-61.50%
Advance In/Out	(464,395)	100,100	-563.93%
Net Change in Fund Balance	<u>\$ 6,622,908</u>	<u>\$ 7,748,245</u>	-14.52%

The significant increase in Investment Earnings is the result of additional funds available for investment, coupled with improved market conditions.

The significant increase in Debt Service is the result of an increase in debt service payments related to the principal payments becoming due for both the bonds issued during fiscal year 2018 as well as the 2008 General Obligation bonds that matured during the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

***Debt Service Fund***

The table that follows assists in illustrating the financial activities of the debt service fund.

	2019	2018	Percentage Change
<u>Receipts</u>			
Taxes	\$ 7,530,401	\$ 7,903,685	-4.72%
Payment in Lieu of Taxes	11,507	11,388	1.04%
Intergovernmental	1,012,579	1,077,449	-6.02%
Other	5	-	100.00%
Total Receipts	<u>8,554,492</u>	<u>8,992,522</u>	-4.87%
<u>Disbursements:</u>			
Fiscal	114,836	121,152	-5.21%
Debt Service:			
Principal Retirement	4,305,000	4,865,000	-11.51%
Interest and Fiscal Charges	3,739,591	3,928,609	-4.81%
Total Disbursements	<u>8,159,427</u>	<u>8,914,761</u>	-8.47%
Excess of Receipts Over Disbursements	<u>395,065</u>	<u>77,761</u>	408.05%
<u>Other Financing Sources (Uses):</u>			
Premium on Sale of Bonds	-	3,882	-100.00%
Net Change in Fund Balance	<u>\$ 395,065</u>	<u>\$ 81,643</u>	383.89%

This increase in fund balance represents the amount in which property tax and related receipts outstripped debt service disbursements during the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

***Capital Projects Fund***

The table that follows assists in illustrating the financial activities of the capital projects fund:

	2019	2018	Percentage Change
<u>Disbursements:</u>			
Regular Instruction	\$ 138,486	\$ 104,536	32.48%
Instructional Staff	851,379	78,786	980.62%
Administration	24,305	3,964	513.14%
Central	15,327	11,535	32.87%
Total Disbursements	<u>1,029,497</u>	<u>198,821</u>	417.80%
Transfers In	590,824	189,628	211.57%
Net Change in Fund Balance	<u>\$ (438,673)</u>	<u>\$ (9,193)</u>	4671.82%

This significant decrease in fund balance represents the amount in which construction disbursements exceeded general fund transfers during the fiscal year.

**General Fund Budgetary Highlights**

The District's final estimated receipts exceeded the original budget by approximately \$2.0 million. Actual receipts exceeded the final budget by \$95,438. This variance is primarily the result of federal funding receipts exceeding expectations.

The District's final appropriations, totaling \$77.3 million, exceeded original appropriations by approximately \$1.2 million. The District's final appropriations exceeded actual appropriations by \$919,510.

**Debt**

At the end of the fiscal year, the District had total long-term debt outstanding of approximately \$93.0 million, a decrease of approximately \$4.9 million in comparison with the prior fiscal year. This decrease is the result of current year accretion of \$69,212, offset by current year principal payments of approximately \$4.9 million.

More detailed information can be found in Note 11 to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**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 Ms. Tammira Miller, Treasurer, Reynoldsburg City School District, 7244 E. Main Street, Reynoldsburg, Ohio 43068-3585.

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**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
AS OF JUNE 30, 2019

	Primary Government
	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 45,522,290
Investments	32,134,340
Total Assets	77,656,630
<b>Net Position</b>	
Restricted for:	
Library Support Endowment	26,677
Debt Service	5,899,507
Capital Projects	2,516,654
Food Service	1,812,840
Locally Funded Programs	156,427
District Managed Student Activities	302,095
State Funded Programs	131,554
Federally Funded Programs	79,041
Classroom Facilities Maintenance	923,812
Unrestricted	65,808,023
Total Net Position	\$ 77,656,630

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

	Program Receipts			
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$ 34,307,034	\$ 3,639,850	\$ 247,250	\$ -
Special	13,557,458	1,121,373	3,252,744	-
Vocational	198,540	21,367	-	-
Other	265,527	9,685	205,650	-
Support services:				
Pupils	4,570,162	-	484,138	-
Instructional Staff	3,743,463	-	390,103	-
Board of Education	24,529	-	-	-
Administration	7,623,353	-	25,686	-
Fiscal	1,332,521	-	-	-
Business	376,730	-	-	-
Operations and Maintenance	7,403,496	-	187,784	-
Pupil Transportation	5,186,846	-	26,290	-
Central	900,048	-	-	-
Operation of Non-Instructional Services:				
Food service Operations	3,809,969	1,221,518	2,505,415	161,827
Other Non-Operational Services	496,411	-	529,746	-
Extracurricular activities	1,156,230	540,914	47,965	-
Facilities Acquisition and Construction	8,045,628	-	-	-
Debt Service				
Principal	4,925,000	-	-	-
Interest and Fiscal Charges	4,170,090	-	-	-
<b>Total Governmental Activities</b>	<b>102,093,035</b>	<b>6,554,707</b>	<b>7,902,771</b>	<b>161,827</b>

General Receipts  
 Property Taxes Levied for:  
   General Purposes  
   Debt Service  
   Facilities Maintenance  
 Income Taxes  
 Payment in Lieu of Taxes  
 Unrestricted Grants and Entitlements  
 Investment Earnings  
 Miscellaneous  
 Total General Receipts

Change in Net Position

Net Position Beginning of Year  
 Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursement)  
 Receipt and Changes  
 in Net Position  
Primary Government

Governmental  
 Activities

\$	(30,419,934)
	(9,183,341)
	(177,173)
	(50,192)
	(4,086,024)
	(3,353,360)
	(24,529)
	(7,597,667)
	(1,332,521)
	(376,730)
	(7,215,712)
	(5,160,556)
	(900,048)
	78,791
	33,335
	(567,351)
	(8,045,628)
	(4,925,000)
	(4,170,090)
	<u>(87,473,730)</u>

	22,866,981
	7,530,401
	291,976
	5,780,394
	2,554,430
	43,898,654
	1,741,019
	1,310,760
	<u>85,974,615</u>
	(1,499,115)
	79,155,745
\$	<u>77,656,630</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

BALANCE SHEET- MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 13,500,353	\$ 5,899,507	\$ 6,277,577	\$ 7,865,789	\$ 33,543,226
Investments	32,134,340	-	-	-	32,134,340
<b>Total Assets</b>	<b>\$ 45,634,693</b>	<b>\$ 5,899,507</b>	<b>\$ 6,277,577</b>	<b>\$ 7,865,789</b>	<b>\$ 65,677,566</b>
<b>Fund Balances:</b>					
Nonspendable:					
Library Support Endowment	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Restricted for:					
Library Support Endowment	-	-	-	1,677	1,677
Debt Service	-	5,899,507	-	-	5,899,507
Capital Projects	-	-	-	2,516,654	2,516,654
Food Service	-	-	-	1,812,840	1,812,840
Locally Funded Programs	2,271	-	-	154,156	156,427
District Managed Student Activities	-	-	-	302,095	302,095
State Funded Programs	-	-	-	131,554	131,554
Federally Funded Programs	-	-	-	79,041	79,041
Classroom Facilities Maintenance	-	-	-	923,812	923,812
Committed to:					
Instruction	-	-	-	195,117	195,117
Assigned for:					
Public School Support	124,673	-	-	-	124,673
Instruction	326,599	-	-	-	326,599
Support Services	968,554	-	-	-	968,554
Capital Projects	6,705	-	6,277,577	1,889,382	8,173,664
Unassigned	44,205,891	-	-	(165,539)	44,040,352
<b>Total Fund Balances</b>	<b>45,634,693</b>	<b>5,899,507</b>	<b>6,277,577</b>	<b>7,865,789</b>	<b>65,677,566</b>
<b>Total Fund Balances</b>	<b>\$ 45,634,693</b>	<b>\$ 5,899,507</b>	<b>\$ 6,277,577</b>	<b>\$ 7,865,789</b>	<b>\$ 65,677,566</b>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS  
AS OF JUNE 30, 2019

**Total Governmental Fund Balances** \$ 65,677,566

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

Internal service funds are used by management to charge the cost of insurance to individual funds. The assets of the internal service funds are included in governmental activities on the statement of net position.

11,979,064

**Net Position of Governmental Activities**

\$ 77,656,630

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
From local sources:					
Property Taxes	\$ 22,866,981	\$ 7,530,401	\$ -	\$ 291,976	\$ 30,689,358
Income Taxes	5,780,394	-	-	-	5,780,394
Tuition and Fees	4,782,910	-	-	9,365	4,792,275
Charges for Services	215,324	-	-	1,221,518	1,436,842
Earnings on Investments	1,617,696	-	-	123,323	1,741,019
Extracurricular	33,726	-	-	507,188	540,914
Payments in Lieu of Taxes	2,542,485	11,507	-	438	2,554,430
Other Local Revenues	1,089,044	5	-	130,430	1,219,479
Intergovernmental- Intermediate	-	-	-	13,500	13,500
Intergovernmental- State	42,076,589	1,012,579	-	967,325	44,056,493
Intergovernmental- Federal	809,486	-	-	6,935,864	7,745,350
<b>Total Receipts</b>	<b>81,814,635</b>	<b>8,554,492</b>	<b>-</b>	<b>10,200,927</b>	<b>100,570,054</b>
<b>Disbursements:</b>					
Instruction:					
Regular	33,792,979	-	138,486	284,610	34,216,075
Special	10,411,020	-	-	3,113,021	13,524,041
Vocational	198,374	-	-	-	198,374
Other	89,915	-	-	175,612	265,527
Support services:					
Pupils	4,199,769	-	-	364,120	4,563,889
Instructional Staff	2,521,336	-	851,379	366,095	3,738,810
Board of Education	24,529	-	-	-	24,529
Administration	7,556,424	-	24,305	22,742	7,603,471
Fiscal	1,215,723	114,836	-	-	1,330,559
Business	375,430	-	-	-	375,430
Operations and Maintenance	6,164,354	-	-	1,233,935	7,398,289
Pupil Transportation	4,679,005	-	-	491,557	5,170,562
Central	883,458	-	15,327	-	898,785
Operation of Non-Instructional Services:					
Food Service Operations	1,260	-	-	3,799,801	3,801,061
Other Non-Operational Services	-	-	-	494,611	494,611
Extracurricular Activities	412,015	-	-	743,697	1,155,712
Facilities Acquisition and Construction	241,051	-	-	7,804,577	8,045,628
Debt Service:					
Principal Retirement	620,000	4,305,000	-	-	4,925,000
Interest and Fiscal Charges	430,499	3,739,591	-	-	4,170,090
<b>Total Disbursements</b>	<b>73,817,141</b>	<b>8,159,427</b>	<b>1,029,497</b>	<b>18,894,378</b>	<b>101,900,443</b>
Excess (Deficiency) of Receipts					
Over (Under) Disbursements	7,997,494	395,065	(1,029,497)	(8,693,451)	(1,330,389)
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	16,832	-	-	-	16,832
Insurance Proceeds	7,034	-	-	-	7,034
Transfers In	-	-	590,824	343,233	934,057
Transfers Out	(934,057)	-	-	-	(934,057)
Advances In	25,000	-	-	489,395	514,395
Advances Out	(489,395)	-	-	(25,000)	(514,395)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,374,586)</b>	<b>-</b>	<b>590,824</b>	<b>807,628</b>	<b>23,866</b>
Net Change in Fund Balances	6,622,908	395,065	(438,673)	(7,885,823)	(1,306,523)
Fund Balance Beginning of Year	39,011,785	5,504,442	6,716,250	15,751,612	66,984,089
Fund Balance End of Year	<u>\$ 45,634,693</u>	<u>\$ 5,899,507</u>	<u>\$ 6,277,577</u>	<u>\$ 7,865,789</u>	<u>\$ 65,677,566</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,306,523)

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

Internal service fund for self-insurance is not reported in the statement of activities. Disbursements and related internal service fund receipts are eliminated. The net receipt/(disbursement) of the internal service funds are allocated among the governmental activities (192,592)

**Change in Net Position of Governmental Activities** \$ (1,499,115)

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Receipts:</b>				
<b>From local sources:</b>				
Property Taxes	\$ 22,283,768	\$ 23,739,187	\$ 22,866,981	\$ (872,206)
Income Taxes	5,632,967	5,492,866	5,780,394	287,528
Tuition and Fees	4,661,319	4,516,876	4,753,316	236,440
Charges for Services	239,067	204,613	215,324	10,711
Earnings on Investments	1,576,437	1,537,228	1,617,696	80,468
Payments in Lieu of Taxes	2,477,640	2,416,017	2,542,485	126,468
Other Local Revenues	943,378	948,422	998,068	49,646
Intergovernmental- State	41,003,441	39,983,613	42,076,589	2,092,976
Intergovernmental- Federal	788,840	769,220	809,486	40,266
<b>Total Receipts</b>	<b>79,606,857</b>	<b>79,608,042</b>	<b>81,660,339</b>	<b>2,052,297</b>
<b>Disbursements:</b>				
<b>Instruction:</b>				
Regular	33,578,446	34,102,682	34,035,607	67,075
Special	10,691,001	10,857,490	10,477,454	380,036
Vocational	309,188	312,615	200,283	112,332
Other	106,046	107,669	91,087	16,582
<b>Support services:</b>				
Pupils	4,238,455	4,304,830	4,145,499	159,331
Instructional Staff	2,670,289	2,711,560	2,582,305	129,255
Board of Education	42,399	42,977	33,601	9,376
Administration	7,701,332	7,820,074	7,695,630	124,444
Fiscal	1,235,199	1,254,331	1,237,730	16,601
Business	301,574	306,309	376,630	(70,321)
Operations and Maintenance	6,883,418	6,986,466	6,584,809	401,657
Pupil Transportation	4,860,064	4,933,307	4,892,907	40,400
Central	706,613	717,186	877,446	(160,260)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,969	2,000	1,260	740
Extracurricular Activities	404,622	410,864	441,594	(30,730)
Facilities Acquisition and Construction	313,084	318,000	247,756	70,244
<b>Debt Service:</b>				
Principal Retirement	610,416	620,000	620,000	-
Interest and Fiscal Charges	423,844	430,499	430,499	-
<b>Total Disbursements</b>	<b>75,077,959</b>	<b>76,238,859</b>	<b>74,972,097</b>	<b>1,266,762</b>
<b>Excess of Receipts Over Disbursements</b>	<b>4,528,898</b>	<b>3,369,183</b>	<b>6,688,242</b>	<b>3,319,059</b>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	16,403	15,995	16,832	837
Insurance Proceeds	6,855	6,684	7,034	350
Transfers Out	(770,896)	(783,000)	(934,057)	(151,057)
Advances In	24,362	23,756	25,000	1,244
Advances Out	(288,668)	(293,200)	(489,395)	(196,195)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,011,944)</b>	<b>(1,029,765)</b>	<b>(1,374,586)</b>	<b>(344,821)</b>
<b>Net Change in Fund Balance</b>	<b>3,516,954</b>	<b>2,339,418</b>	<b>5,313,656</b>	<b>2,974,238</b>
Fund Balances at Beginning of Year	37,734,027	37,734,027	37,734,027	-
Prior Year Encumbrances Appropriated	1,141,324	1,141,324	1,141,324	-
<b>Fund Balances at End of Year</b>	<b>\$ 42,392,305</b>	<b>\$ 41,214,769</b>	<b>\$ 44,189,007</b>	<b>\$ 2,974,238</b>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2019

	Governmental Activities - Internal Service Fund
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 11,979,064
Total Assets	<u>11,979,064</u>
<b>Net Position:</b>	
Unrestricted	11,979,064
Total Net Position	<u><u>\$ 11,979,064</u></u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
<b>Operating Receipts:</b>	
Charges for Services	\$ 10,097,527
Total Operating Receipts	10,097,527
<b>Operating Disbursements:</b>	
Purchased Services	999,922
Claims	9,290,197
Total Operating Disbursements	10,290,119
Change in Net Position and Operating Loss	(192,592)
Net Position Beginning of Year	12,171,656
Net Position End of Year	\$ 11,979,064

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

	Private-Purpose Trust	Agency
	Scholarship	Fund
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 63,321	\$ 99,464
 Total Assets	<u>63,321</u>	<u>99,464</u>
 <b>Net Position:</b>		
Held in Trust for Scholarships	63,321	-
Held for Others	-	27,833
Held for Students Activity	-	71,631
 Total Net Position	<u>\$ 63,321</u>	<u>\$ 99,464</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
	Scholarship
<b>Additions:</b>	
Gifts and Contributions	\$ 9,730
Total Additions	9,730
<b>Deductions:</b>	
Scholarships Awarded	20,952
Total Deductions	20,952
Change in Net Position	(11,222)
<b>Net Position at Beginning of Year</b>	74,543
<b>Net Position at End of Year</b>	\$ 63,321

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District employs 306 non-certified and 474 certified employees to provide services to approximately 6,927 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District.

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 does not have any component units.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)**

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

*JOINTLY GOVERNED ORGANIZATION*

META Solutions

The District is a member of Meta Solutions. META Solutions is a consortium that provides software, hardware, staff development, and technology integration support for member schools. As one of 20+ ITC-sites around the state, META Solutions is a member of the Ohio Education Computer Network (OECN) which provides fiscal, support, and student services statewide to Ohio's school districts. Beyond these core services, META Solutions also provides additional services to member schools and contracted institutions. Financial information can be obtained from the offices of the Treasurer at 100 Executive Drive, Marion, Ohio, 43302.

*PUBLIC ENTITY RISK POOL*

Comp Management Group Retrospective Rating Program

The District participates in the Comp Management Group Retrospective Rating Program, a voluntary performance based incentive program. Similar to group rating, companies are grouped together to achieve lower premiums than they could as individuals. However, in this program, employers continue to own individual premiums and the BWC calculates group retro rebates/assessments at 12, 24 and 36 months after the end of the policy. This creates an incentive for participants to control and reduce losses by practicing effective workplace safety and claims management.

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the District's accounting policies.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund(s) is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

The statement of net position presents the modified cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

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 demonstrate 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Fund Accounting**

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

Governmental Funds - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major governmental funds are the General Fund, Debt Service Fund, and Capital Projects Fund.

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

*Debt service fund* - This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

*Capital projects fund* – This fund is used to account for the accumulation of resources and payment for one or more capital projects.

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

Proprietary Funds - Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service funds:

*Internal service funds* - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service funds of the District account for self-insurance programs.

Fiduciary Funds - The fiduciary fund category is split into four classifications: private-purpose trust funds, investment trust funds, pension trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust that accounts for scholarship programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District has one agency fund that accounts for student-managed student activities.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. With the exception of investment purchases and sales, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet 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.

D. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the 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 appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

During the fiscal year, the District invested in certificates of deposit, federal agency securities, commercial paper, and a money market fund. Investments are reported at cost, except for the money market fund. The District's money market fund investment is recorded at the amount reported by USBank.

During the fiscal year, the School also invested in STAR Ohio (the State Treasury Asset Reserve of Ohio). STAR 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. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants", the School measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis, which approximates fair value.

For the fiscal year 2019, there were no limitation 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 receipts credited to the General Fund during the fiscal year was \$1,617,696, which included \$682,932 assigned from the other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had no restricted assets at fiscal year-end.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Pensions/Other Postemployment Benefits (OPEB)

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

L. Long-Term Obligations

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Deferred Outflows and Inflows of Resources

The District's modified cash basis financial statements do not report deferred outflows and inflows of resources. The District recognizes the disbursement for deferred outflows when they are paid and proceeds of deferred inflows are reported when cash is received.

N. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the District's net position at fiscal year-end were the result of enabling legislation.

The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories may be used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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 for the specified 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 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 as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is 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 both 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. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

P. Interfund Transactions

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

Q. 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 management and are either unusual in nature or infrequent in occurrence. The District did not have either type of transaction during the fiscal year.

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**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 3 – ACCOUNTABILITY AND 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 the modified 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 certain 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 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (modified cash basis).

The encumbrances outstanding at year-end (budgetary basis) for the General Fund amounted to \$1,301,858.

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund, Uniform School Supplies Fund and Alternative School Fund, no longer meet the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these funds are presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria. The difference between the budgetary basis and the modified cash basis is \$7,394 for the change in fund balance for the reclassified funds above.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 – 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.

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 (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but no limited to, passbook accounts;

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain banker's acceptance (for a period not to exceed one hundred eighty days) and commercial paper noted (for a period not to exceed two hundred seventy days) in amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 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**

Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the District's deposits was \$8,628,017, and the bank balance was \$9,504,915. Of the District's bank balance, \$8,613,880 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was uninsured and collateralized. The District's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments

The fair value of these investments is not materially different than the measurement value.

At fiscal year-end, the District had the following investments and maturities:

Investment Type	Measurement Value	Percent of Total	Investment Maturities		
			Less than one year	1 to 3 years	Greater than 3 years
STAR Ohio (NAV)	\$ 36,901,401	53.33%	\$ 36,901,401	\$ -	\$ -
Money Market Funds	155,657	0.22%	155,657	-	-
Commercial Paper	9,960,371	14.40%	9,960,371	-	-
Federal Agency Securities	15,513,441	22.42%	4,334,233	9,595,000	1,584,208
Negotiable CD's	6,660,528	9.63%	-	3,947,813	2,712,715
Total	<u>\$ 69,191,398</u>	<u>100%</u>	<u>\$ 51,351,662</u>	<u>\$ 13,542,813</u>	<u>\$ 4,296,923</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Of the District's investments, the Federal Agency Securities were rated AA and the Commercial Paper was rated A by Standard & Poor's. The District's investments in negotiable certificates of deposit and the money market funds were unrated. The District's policy does not address credit risk.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The District's policy does not limit the amount invested in U.S. Treasury securities or those instruments guaranteed by the U.S. Treasury. Investments in Federal Agency Instruments/Government Sponsored Enterprise securities and investments in repurchase agreements and certificates of deposit may be made up of 25% and 50%, respectively, of the District's total portfolio.

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**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Reconciliation of Deposits and Investments to the Statement of Net Position**

The following is a reconciliation of deposits and investments as reported in the note above to cash and investments as reported on the statement of net position at fiscal year-end:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,628,017
Investments	69,191,398
Total	<u>\$ 77,819,415</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 77,656,630
Private-purpose trust funds	63,321
Agency fund	99,464
Total	<u>\$ 77,819,415</u>

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**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 6 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the 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, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2019, 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 Franklin, Licking and Fairfield Counties. The County Auditors periodically advance to the District their 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:

	<u>2018 Second Half Collections</u>		<u>2019 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other real estate	\$ 717,886,300	97.18%	\$ 718,476,850	97.04%
Public Utility Personal	20,854,160	2.82%	21,927,020	2.96%
Total	<u>\$ 738,740,460</u>	<u>100.00%</u>	<u>\$ 740,403,870</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 71.85		\$ 71.85	

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 – TAX ABATEMENTS**

Under tax abatement agreements entered into by the Ohio EPA, the District’s property tax revenues were reduced by \$34,490.

**NOTE 8 – INCOME TAXES**

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 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 of Ohio makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. The District’s income tax receipts are credited to the General Fund.

**NOTE 9 – INTERFUND ACTIVITY**

During the fiscal year, the District transferred \$934,057 from the General Fund to the Capital Projects Fund (\$590,823) and Other Governmental Funds (\$343,234). These transfers represent monies assigned to capital acquisitions, maintenance, and operating subsidies, respectively.

At fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of \$662,700, which represents short-term loans made to other funds of the District. These loans are expected to be repaid within one year.

**NOTE 10 – CONTRACTUAL COMMITMENTS**

Significant encumbrances as of fiscal year-end were as follows:

	Encumbrances
General Fund	\$ 1,301,858
Building Fund	1,870,895
Capital Projects Fund	2,234,132
Other Governmental Funds	704,222
Total	\$ 6,111,107

The significant amount of encumbrances in the General Fund is due to the District’s contractual commitments outstanding at fiscal year end such as the GCA Educational Services, Inc. agreement, Dymanix Energy Services agreement, Green King contract, Heiberger Paving, Inc. contract, and Summit Construction contract. These encumbrances will be liquidated over the period of the contracts.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 – LONG-TERM OBLIGATIONS**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Series 2008 Bonds					
Serial/Term Bonds	\$ 2,405,000	\$ -	\$ (2,405,000)	\$ -	\$ -
Series 2013 Bonds					
Serial/Term Bonds	17,820,000	-	(1,035,000)	16,785,000	1,085,000
Series 2014 Bonds					
Serial/Term Bonds	16,555,000	-	(765,000)	15,790,000	805,000
Series 2015 Bonds					
Serial/Term Bonds	47,425,000	-	(100,000)	47,325,000	2,610,000
Capital Appreciation	44,987	-	-	44,987	-
Accreted Interest	203,916	69,212	-	273,128	-
Series 2017 Bonds					
Serial/Term Bonds	13,415,000	-	(620,000)	12,795,000	735,000
<b>Total long-term obligations</b>	<b>\$ 97,868,903</b>	<b>\$ 69,212</b>	<b>\$ (4,925,000)</b>	<b>\$ 93,013,115</b>	<b>\$ 5,235,000</b>

**A. Series 2003 Bonds**

On March 24, 2003, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds 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 relating to this bond are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$29,455,000, and capital appreciation bonds, par value \$344,979. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds matured on December 1, 2008 (approximate initial offering yield at maturity 2.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

In November 2013, the outstanding amount of these bonds were refunded by the Series 2013 Bonds.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 – LONG-TERM OBLIGATIONS (CONTINUED)**

**B. Series 2005 Bonds**

On April 6, 2005, the District issued general obligation bonds to provide funds for construction and improvements to school facilities in the amount of \$23,950,000 with a variable interest rate from 3.00% to 5.00%. These bonds 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 relating to this bond are recorded as expenditures in the debt service fund.

In October 2014, the outstanding amount of these bonds were refunded by the Series 2014 Bonds.

**C. Series 2007 Bond Anticipation Notes**

On November 29, 2007, the District issued bond anticipation notes in the amount of \$9,540,000 to refund the callable portion of the 1997 series general obligation refunding bonds. These bond anticipation notes were subsequently purchased by Dexia Credit Local (Dexia) and a swap option was exercised obligating Dexia to pay the variable interest rate due on the notes in return for a fixed rate to be received by the District (see Note 11.I for detail).

**D. Series 2008 Bonds**

On July 9, 2008, the District issued general obligation bonds to provide funds for construction and improvements to school facilities. These bonds 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 relating to this bond are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$55,935,000, and capital appreciation bonds, par value \$64,988. The interest rates on the current interest bonds range from 3.00% to 5.25%. The capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield at maturity 4.30%) and December 1, 2017 (approximate initial offering yield at maturity 4.42%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,500,000 and the accreted value at fiscal year-end was \$0.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

In May 2015, \$47,670,000 of the current interest bonds were refunded by the Series 2015 Bonds.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 – LONG-TERM OBLIGATIONS (CONTINUED)**

**E. Series 2013 Bonds**

In November 2013, the District issued \$21,580,000 in general obligation refunding current interest bonds with an interest cost of 4.919% for the purpose of currently refunding the outstanding principal amount of the 2003 general obligation bonds and terminating an interest rate hedge agreement with Dexia Credit Local. The District received \$25,758,320 in bond proceeds, which included a \$4,178,320 premium. The bonds will be retired from the debt service fund. The incremental benefit of this refunding was \$49,462. The refunding did not increase the overall debt of the District; however, since funds were needed to terminate the interest rate hedge agreement, the District lost the opportunity to capitalize on lower interest rates.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is September 1, 2030.

The following is a summary of the future debt service requirements to maturity for the 2013 series general obligation bonds:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,085,000	\$ 798,969	\$ 1,883,969
2021	1,135,000	744,367	1,879,367
2022	1,180,000	687,430	1,867,430
2023	1,235,000	628,033	1,863,033
2024	1,290,000	565,931	1,855,931
2025-2029	7,385,000	1,795,804	9,180,804
2030-2031	3,475,000	151,137	3,626,137
Total	<u>\$ 16,785,000</u>	<u>\$ 5,371,671</u>	<u>\$ 22,156,671</u>

**F. Series 2014 Bonds**

In December 2014, the District issued \$18,665,000 in general obligation refunding current interest bonds with an interest cost of 4.939% for the purpose of currently refunding the outstanding principal amount of the 2005 general obligation bonds and terminating an interest rate hedge agreement with Dexia Credit Local. The District received \$23,067,514 in bond proceeds, which included a \$4,402,514 premium. The bonds will be retired from the debt service fund. The incremental benefit of this refunding was \$10,600. The refunding did not increase the overall debt of the District; however, since funds were needed to terminate the interest rate hedge agreement, the District lost the opportunity to capitalize on lower interest rates.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

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**NOTE 11 – LONG-TERM OBLIGATIONS (CONTINUED)**

The following is a summary of the future debt service requirements to maturity for the 2014 series general obligation bonds:

Fiscal Year	Principal	Interest	Total
2020	\$ 805,000	\$ 759,989	\$ 1,564,989
2021	845,000	719,242	1,564,242
2022	890,000	676,396	1,566,396
2023	930,000	631,451	1,561,451
2024	980,000	584,283	1,564,283
2025-2029	5,685,000	2,125,621	7,810,621
2030-2033	5,655,000	556,996	6,211,996
Total	<u>\$ 15,790,000</u>	<u>\$ 6,053,978</u>	<u>\$ 21,843,978</u>

**G. Series 2015 Bonds**

In May 2015, the District issued \$47,669,987 in general obligation refunding bond anticipation notes with an interest cost of 4.178% for the purpose of currently refunding \$47,670,000 of the 2008 general obligation bonds. The District received \$53,480,648 in bond proceeds, which included a \$5,810,661 premium. The bonds will be retired from the debt service fund. The refunding did not increase the overall debt of the District.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

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

Fiscal Year	Current Interest Bonds- Series 2015			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 2,610,000	\$ 1,985,006	\$ 4,595,006	\$ -	\$ -	\$ -
2021	2,700,000	1,866,150	4,566,150	-	-	-
2022	3,010,000	1,723,400	4,733,400	-	-	-
2023	2,950,000	1,574,400	4,524,400	-	-	-
2024	3,100,000	1,423,150	4,523,150	-	-	-
2025-2029	18,135,000	4,850,825	22,985,825	318,115	491,885	810,000
2030-2033	14,820,000	1,002,700	15,822,700	-	-	-
Total	<u>\$ 47,325,000</u>	<u>\$ 14,425,631</u>	<u>\$ 61,750,631</u>	<u>\$ 318,115</u>	<u>\$ 491,885</u>	<u>\$ 810,000</u>

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**NOTE 11 – LONG-TERM OBLIGATIONS (CONTINUED)**

**H. Series 2017 Bonds**

In January 2018, the District issued \$13,415,000 certificates of participation bonds with an interest cost of 3.20% for the purpose of constructing, improving, furnishing, and equipping school facilities through a ground lease agreement with Capital One Public Funding, LLC. The District received \$13,487,131 in bond proceeds, which included a \$72,131 premium. The bonds will be retired from the general fund.

Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

The following is a summary of the future debt service requirements to maturity for the 2017 series certificates of participation bonds:

Fiscal Year	Principal	Interest	Total
2020	\$ 735,000	\$ 408,244	\$ 1,143,244
2021	760,000	383,668	1,143,668
2022	785,000	358,311	1,143,311
2023	810,000	332,114	1,142,114
2024	835,000	305,095	1,140,095
2025-2029	4,605,000	1,088,239	5,693,239
2030-2033	4,265,000	285,877	4,550,877
Total	<u>\$ 12,795,000</u>	<u>\$ 3,161,548</u>	<u>\$ 15,956,548</u>

**I. Refunding and Sold Options**

In 2008, the District entered into an agreement with Dexia for Dexia to purchase bond anticipation notes that were or may be issued to refund a portion of the general obligation bonds discussed in Note 11.A. (2003 issue) and Note 11.B. (2005 issue). These refunding bond anticipation notes, as or if issued, bear or would bear variable interest rates based upon the Securities Industry and Financial Markets Association (SIFMA, formerly the Bond Marketing Association, BMA) Municipal Swap Index plus 29 basis points (0.29%).

Simultaneously, the District entered into options (swap options, or swaptions) which, as or if exercised, would obligate Dexia to pay the variable interest due on the notes and receive a fixed rate from the District. Dexia paid the District \$2,416,000 for these swap options, which, net of fees and expenses of \$899,088, resulted in \$1,516,912 being deposited into the District's permanent improvement fund, a nonmajor governmental fund, to be used for various capital projects.

The notes related to \$9,540,000 of the 1997 issue were issued November 29, 2007, the notes related to \$21,580,000 of the 2003 issue were issued November 29, 2013, and the notes related to \$18,665,000 of the 2005 issue were issued December 1, 2014.

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**NOTE 11 – LONG-TERM OBLIGATIONS (CONTINUED)**

The purpose of the interest rate swap transactions with Dexia was to or would be to hedge the exposure of the District against interest rate fluctuations arising from the variable rates borne by these bond anticipation notes. Under the swap agreement, the District is or would be the fixed rate payer, paying fixed rates ranging from approximately 5.38% to 5.45% on the 1997 issue; approximately 4.54% to 5.00% on the 2003 issue, and approximately 4.625% to 4.967% on the 2005 issue. The counterparty, Dexia, is or would be the floating rate payer, paying the actual variable rate borne by the notes. The floating rates are or would be determined in accordance with the weekly SIFMA Swap Index.

During fiscal year 2012, the District terminated the agreement related to 1997 issue through the issuance of the Series 2012 General Obligation Refunding Bonds. The proceeds of the current refunding bonds were used to currently refund the outstanding principal amounts tied to the agreements (\$8,150,000 Series 2007 Bond Anticipation Notes) and terminate the interest rate hedge agreement at a net cost of \$1,063,718. This refunding did not increase the overall general obligation debt of the District and resulted in a savings of \$111,203.

During fiscal year 2014, the District terminated the agreement related to 2003 issue through the issuance of the Series 2013 General Obligation Refunding Bond Anticipation Notes. The proceeds of the current refunding bonds were used to currently refund the outstanding principal amounts tied to the agreements (\$21,580,000 Series 2003 Bond Anticipation Notes) and terminate the interest rate hedge agreement at a net cost of \$4,178,320. This refunding did not increase the overall general obligation debt of the District and the incremental benefit of this refunding was \$49,462.

During fiscal year 2015, the District terminated the agreement related to 2005 issue through the issuance of the Series 2014 General Obligation Refunding Bond Anticipation Notes. The proceeds of the current refunding bonds were used to currently refund the outstanding principal amounts tied to the agreements (\$18,665,000 Series 2005 Bond Anticipation Notes) and terminate the interest rate hedge agreement at a net cost of \$4,402,514. This refunding did not increase the overall general obligation debt of the District and the incremental benefit of this refunding was \$10,600.

**J. 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 use 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 fiscal year-end, resulted in no remaining voted debt margin and an unvoted debt margin of \$740,404. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a "special needs" school district as permitted by Ohio Revised Code Section 133.06(E).

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**NOTE 12 – LEASE OBLIGATIONS**

The District has entered into capital leases for copiers.

Due to the District reporting on the cash basis of accounting, the accompanying copiers are not reflected as assets and liabilities within the accompanying financial statements. Principal and interest payments associated with the outstanding lease obligation is paid by the General Fund.

In fiscal year 2019, the District made lease payments totaling \$0 in principal and interest.

The agreement provides for minimum annual rental payments as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 93,769	\$ 23,601	\$ 117,370
2021	107,213	20,827	128,040
2022	112,597	15,443	128,040
2023	118,252	9,788	128,040
2024	124,191	3,849	128,040
2025	10,627	43	10,670
Total	<u>\$ 566,649</u>	<u>\$ 73,551</u>	<u>\$ 640,200</u>

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**REYNOLDSBURG CITY SCHOOL DISTRICT**  
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**NOTE 13 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The following is a description of the District’s insurance coverage:

Coverage	Insurer	Limits of Coverage	Deductible
General liability:			
Each occurrence	Marsh & McLennan Agency	\$ 1,000,000	\$ -
Aggregate		2,000,000	-
Umbrella liability:			
Each occurrence	Marsh & McLennan Agency	10,000,000	-
Aggregate		10,000,000	-
Building and contents	Marsh & McLennan Agency	235,137,718	5,000
Business auto:			
Each occurrence	Marsh & McLennan Agency	1,000,000	1,000
Employee benefits liability:			
Each occurrence	Marsh & McLennan Agency	1,000,000	1,000
Aggregate		3,000,000	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal year 2018.

**B. Health Care Self-Insurance Program**

The District provides medical coverage for its employees and is self-insured up to a stop loss limit for the cost of providing this coverage. The District is covered by an annual individual stop loss of \$130,000 annually, and by an annual aggregate stop loss of approximately \$10,652,208 per year. This activity is accounted for in an internal service fund.

**C. Workers’ Compensation Retrospective Rating Program**

During the fiscal year, the District participated in the Comp Management Group Retrospective Rating Program, a voluntary performance based incentive program. Similar to group rating, companies are grouped together to achieve lower premiums than they could as individuals. However, in this program, employers continue to own individual premiums and the BWC calculates group retro rebates/assessments at 12, 24 and 36 months after the end of the policy. This creates an incentive for participants to control and reduce losses by practicing effective workplace safety and claims management.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
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**NOTE 14 –DEFINED BENEFIT PENSION PLANS**

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 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.

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.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – 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](http://www.ohsers.org) under Employers/Audit Resources.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Age and service requirements for retirement are as follows:

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

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

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

On each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. This cost-of-living adjustment (COLA) shall not be less than 0% nor greater than 2.5%. COLA's have been suspended for calendar years 2018, 2019, and 2020.

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

The District paid \$1,349,112 to SERS during fiscal year 2019.

***Plan Description - State Teachers Retirement System (STRS)***

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

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**NOTE 14 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

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

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**NOTE 14 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

The District paid \$5,234,928 to STRS during fiscal year 2019.

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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - 2018	\$ 14,589,466	\$ 62,565,162	\$ 77,154,628
Proportion of the Net Pension Liability - 2018	0.2547406%	0.28454548%	
Proportion of the Net Pension Liability - 2017	<u>0.2480767%</u>	<u>0.27169131%</u>	
Change in Proportionate Share	<u>0.0066639%</u>	<u>0.01285417%</u>	

***Actuarial Assumptions - SERS***

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

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.

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**NOTE 14 – 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, 2018, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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 an arithmetic weighted averaged 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

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**NOTE 14 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 20,550,363	\$ 14,589,466	\$ 9,591,653

**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, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	0.00 percent 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 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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**NOTE 14 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***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 percent, 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 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 91,368,183	\$ 62,565,162	\$ 38,187,313

**NOTE 15 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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 net OPEB liability 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 calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the 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. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 – DEFINED BENEFIT OPEB PLANS (CONTINUED)**

***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](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$142,933.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$191,116 for fiscal year 2019.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 – DEFINED BENEFIT OPEB PLANS (CONTINUED)**

***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](http://www.strsoh.org) or by calling (888) 227-7877.

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

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability 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>
Proportionate Share of the Net OPEB (Asset)/Liability - 2018	\$ 7,188,134	\$ (4,572,356)	\$ 2,615,778
Proportion of the Net OPEB (Asset)/Liability - 2018	0.2591000%	0.28454548%	
Proportion of the Net OPEB Liability - 2017	<u>0.2517077%</u>	<u>0.27169131%</u>	
Change in Proportionate Share	<u>0.0073923%</u>	<u>0.01285417%</u>	

***Actuarial Assumptions - SERS***

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 – DEFINED BENEFIT OPEB PLANS (CONTINUED)**

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

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 – DEFINED BENEFIT OPEB PLANS (CONTINUED)**

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the 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.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 15 – DEFINED BENEFIT OPEB PLANS (CONTINUED)**

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$8,722,235	\$7,188,134	\$5,973,413

	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	\$5,799,505	\$7,188,134	\$9,026,927

**Actuarial Assumptions - STRS**

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

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

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 – DEFINED BENEFIT OPEB PLANS (CONTINUED)**

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

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The 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 not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as 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	(\$3,918,937)	(\$4,572,356)	(\$5,121,523)

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 – DEFINED BENEFIT OPEB PLANS (CONTINUED)**

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	(\$5,090,521)	(\$4,572,356)	(\$4,046,117)

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

**Benefit Term Changes Since the Prior Measurement Date** The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

**NOTE 16 – SET ASIDE REQUIREMENTS**

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

The following modified cash basis information identifies the changes in the set aside balances for capital improvements:

	Capital Acquisition
Set-aside cash balance as of June 30, 2018	\$ -
Current fiscal year set-aside requirement	1,284,796
Current year qualifying disbursements	(1,029,497)
Prior Year Offset from Bond Proceeds	(255,299)
Total	\$ -
Balance carried forward to FY 2020	\$ -
Set Aside Reserve Balance June 30, 2019	\$ -

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 16 – SET ASIDE REQUIREMENTS (CONTINUED)**

*Capital Acquisition*

During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project under taken by the District. During fiscal year 2005, the District issued \$23,950,000 in capital related debt for a new building project. During fiscal year 2009, the District issued \$55,999,988 in capital related debt for a new building project. Those proceeds may be used as qualifying disbursements to reduce the capital acquisition to zero for future years. Therefore, the District still has \$99,809,967 in qualifying disbursements that may be used to reduce the set-aside requirement for future years.

**NOTE 17 – CONTINGENCIES**

**Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the fiscal year 2019 reviews, the District is due \$36,412. This amount has not been included in the financial statements.

**NOTE 18 – DEFICIT FUND BALANCE**

The following funds had a deficit fund balance at June 30, 2019:

Fund	Deficit Balance
Title VI-B IDEA	(\$140,779)
Preschool Handicap Grant	(24,760)
	(\$165,539)

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 19 – RESTATEMENT OF FUND BALANCE**

The District’s Building Fund is not required to be reported as a major fund in fiscal year 2019. Therefore the District reclassified the Building Fund to Other Governmental Funds. The reclassification of the fund balance resulted in changes to beginning of year balances as detailed below:

	Building Fund	Other Governmental Funds	
Fund Balance, June 30, 2018	\$ 10,946,910	\$ 4,804,702	
Reclassification of Fund	(10,946,910)	10,946,910	
Fund Balance, July 1, 2018	\$ -	\$ 15,751,612	

**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2019, the District has implemented the following:

*GASB Statement No. 83 “Certain Asset Retirement Obligations”* will enhance comparability of financial statements among governmental by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this statement did not have an effect on the financial statements of the District.

*GASB Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”* improves the information that is disclosed in the notes of the governmental financial statements related to debt, including debt borrowings and direct placements. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have an effect on the financial statements of the District.

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REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

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

FEDERAL GRANTOR <i>Pass through grantor</i>	Federal CFDA	Pass Through Entity Identifying	Total Federal
<u>Program/Cluster Title</u>	<u>Number</u>	<u>Number</u>	<u>Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 656,933
National School Lunch Program	10.555	N/A	1,906,614
National School Lunch Program - Noncash Assistance	10.555	N/A	313,566
Summer Food Service Program for Children	10.559	N/A	39,882
Total Child Nutrition Cluster			<u>2,916,995</u>
Child and Adult Care Food Program	10.558	N/A	11,103
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	66,730
<b>Total U.S. Department of Agriculture</b>			<u><u>2,994,828</u></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	1,483,620
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	1,716,822
Special Education Preschool Grants	84.173	N/A	63,140
Total Special Education Cluster			<u>1,779,962</u>
Twenty-First Century Community Learning Centers	84.287	N/A	173,952
English Language Acquisition State Grants	84.365	N/A	119,426
Improving Teacher Quality State Grants	84.367	N/A	176,977
Striving Readers	84.371	N/A	273,398
Investing in Innovation (I3) Fund	84.411	N/A	37,590
Student Support and Academic Enrichment Program	84.424	N/A	111,726
<b>Total U.S. Department of Education</b>			<u><u>4,156,651</u></u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 7,151,479</u></u>

*The accompanying notes are an integral part of this schedule.*

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Reynoldsburg City School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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 fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

**NOTE F - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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CentralRegion@ohioauditor.gov

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

Reynoldsburg City School District  
Franklin County  
7244 East Main Street  
Reynoldsburg, OH 43068-3585

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 modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County, (the District) as of and for the 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 15, 2020, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and the District restated Building and Other Governmental fund balances due to a change in major funds presentation for fiscal year 2019.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as Finding 2019-001.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying 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 15, 2020



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CentralRegion@ohioauditor.gov

**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**

Reynoldsburg City School District  
Franklin County  
7244 East Main Street  
Reynoldsburg, Ohio 43068-3585

To the Board of Education:

***Report on Compliance for each Major Federal Program***

We have audited Reynoldsburg City School District's (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 Reynoldsburg City School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies 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, Reynoldsburg City 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 year ended June 30, 2019.

***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 15, 2020

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster  Striving Readers, CFDA# 84.371
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

**FINDING NUMBER 2019-001**

**Material Noncompliance- Annual Financial Reporting**

**Ohio Rev. Code § 117.38** 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(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019  
(Continued)

**2. FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2019-001(Continued)**

**Material Noncompliance Annual Financial Reporting (Continued)**

**Ohio Admin. Code § 117-2-03(B)** requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

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

Pursuant to Ohio Rev. Code § 117.38 the 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 annual financial statements according to generally accepted accounting principles.

**Officials' Response:** Refer to Corrective Action Plan

**3. FINDINGS FOR FEDERAL AWARDS**

None



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**June 30, 2019**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001 2017-001	Contrary to Ohio Administrative Code Section 117-2-03(B), the District does not prepare its financial report in accordance with accounting principles generally accepted in the United States of America. This citation was first issued during the financial audit for the fiscal year ending June 30, 2011.	Not Corrected	Reissued as finding # 2019-001.

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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**June 30, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	In light of the higher costs, absence a material benefit, and financial constraints, RCSD has chosen to prepare non-GAAP financial statements.	N/A	Tammira Miller-Treasurer

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# OHIO AUDITOR OF STATE KEITH FABER



**REYNOLDSBURG CITY SCHOOL DISTRICT**

**FRANKLIN COUNTY**

### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 6, 2020**