



**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Union Scioto Local School District
Ross County
1565 Egypt Pike
Chillicothe, Ohio 45601

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Union Scioto Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2018, 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Union Scioto Local School District, Ross County, Ohio, as of June 30, 2018, and the respective changes in financial position and where applicable cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2019

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Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The discussion and analysis of the Union Scioto Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, Net Position increased \$7,359,299 from the prior fiscal year.
- General revenues accounted for \$16,063,617. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for \$7,873,980 of total revenues of \$23,937,597.
- The School District had \$16,578,298 in expenses related to governmental activities; only \$7,873,980 of these expenses were offset by program specific charges for services, sales, grants, and contributions. General revenues (primarily taxes and grants and entitlements) of \$16,063,617 were sufficient to provide for these programs.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting

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used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District only reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Fund

Proprietary funds use the same basis of accounting as business-type activities. The Internal Service Fund is used to report the vision and dental benefits provided to the School District's employees.

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Fiduciary Fund

The School District's fiduciary fund is an agency fund. The School District's fiduciary fund is reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in this fund are used for its intended purpose. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

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

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>
<u>Assets:</u>			
Current and			
Other Assets	\$16,050,121	\$17,287,203	(\$1,237,082)
Capital Assets, Net	<u>21,080,546</u>	<u>21,983,448</u>	<u>(902,902)</u>
<i>Total Assets</i>	<u>37,130,667</u>	<u>39,270,651</u>	<u>(2,139,984)</u>
 <u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	46,824	56,347	(9,523)
Pension	6,599,764	5,807,210	792,554
OPEB	226,390	46,109	180,281
<i>Total Deferred Outflows of Resources</i>	<u>6,872,978</u>	<u>5,909,666</u>	<u>963,312</u>
 <u>Liabilities:</u>			
Other Liabilities	2,417,573	2,954,374	(536,801)
Long-Term Liabilities:			
Due within One Year	565,100	610,089	(44,989)
Due in More Than One Year:			
Net Pension Liability	22,539,000	31,685,970	(9,146,970)
OPEB	5,138,148	6,547,443	(1,409,295)
Other Amounts	5,474,706	5,321,172	153,534
<i>Total Liabilities</i>	<u>\$36,134,527</u>	<u>\$47,119,048</u>	<u>(\$10,984,521)</u>

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		Increase (Decrease)
	2018	Restated 2017	
<u>Deferred Inflows of Resources</u>			
Property Taxes	\$2,936,734	\$2,401,582	\$535,152
Pension	1,719,912	543,439	1,176,473
OPEB	736,925	0	736,925
<i>Total Deferred Inflows of Resources</i>	<u>5,393,571</u>	<u>2,945,021</u>	<u>2,448,550</u>
<u>Net Position:</u>			
Net Investment in			
Capital Assets	17,573,349	18,685,095	(1,111,746)
Restricted	1,002,608	1,486,373	(483,765)
Unrestricted	(16,100,410)	(25,055,220)	8,954,810
<i>Total Net Position</i>	<u>\$2,475,547</u>	<u>(\$4,883,752)</u>	<u>\$7,359,299</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

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As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$1,617,582 to (\$4,883,752).

A significant decrease occurred within Current and Other Assets from the prior fiscal year. The most significant decrease was in Equity in Pooled Cash and Cash Equivalents, which decreased \$1,505,757. This decrease is mainly due to the School District spending the remaining lease proceeds for the purpose of athletic and other facility construction and renovations during fiscal year 2018. Capital Assets, Net, decreased \$902,902 primarily due to current year asset additions exceeding current year depreciation.

Total liabilities of the School District decreased \$10,984,521 from the prior fiscal year. Net Pension Liability decreased \$9,146,970 as a result of changes made during the fiscal year by the STRS retirement system.

Total Net Position increased \$7,359,299. The decrease in Net Investment in Capital Assets was mainly due to current year depreciation exceeding current year asset additions along with an increase in capital lease liabilities. Unrestricted Net Position increased \$8,954,810 mainly due to the decrease in Net Pension Liability associated with changes made during the fiscal year by the STRS retirement system.

Table 2 shows the changes in Net Position for fiscal years 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities		Increase
	2018	2017	(Decrease)
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$4,547,777	\$4,334,806	\$212,971
Operating Grants and Contributions	3,326,203	3,290,178	36,025
Total Program Revenues	<u>7,873,980</u>	<u>7,624,984</u>	<u>248,996</u>
General Revenues:			
Income Taxes	1,410,256	1,360,234	50,022
Property Taxes	4,125,419	4,054,758	70,661
Grants and Entitlements not Restricted to Specific Programs	10,312,912	10,395,498	(82,586)
Unrestricted Contributions and Donations	2,000	1,250	750
Gain on Early Termination of Capital Lease	4,025	0	4,025
Investment Earnings	35,278	45,911	(10,633)
Miscellaneous	173,727	178,695	(4,968)
Total General Revenues	<u>16,063,617</u>	<u>16,036,346</u>	<u>27,271</u>
Total Revenues	<u>\$23,937,597</u>	<u>\$23,661,330</u>	<u>\$276,267</u>

(continued)

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2
Changes in Net Position
(continued)

	Governmental Activities		Increase (Decrease)
	2018	2017	
<u>Program Expenses:</u>			
Instruction			
Regular	\$7,277,024	\$12,751,462	(\$5,474,438)
Special	1,568,068	2,926,065	(1,357,997)
Vocational	177,034	53,978	123,056
Student Intervention Services	45,640	464,798	(419,158)
Support Services			
Pupils	993,719	1,418,301	(424,582)
Instructional Staff	457,328	513,987	(56,659)
Board of Education	478,859	504,221	(25,362)
Administration	623,526	1,033,240	(409,714)
Fiscal	546,654	605,860	(59,206)
Business	34,135	13,839	20,296
Operation and Maintenance of Plant	1,552,852	1,603,236	(50,384)
Pupil Transportation	1,088,287	937,102	151,185
Operation of Non-Instructional Services	1,242,623	1,204,126	38,497
Extracurricular Activities	371,035	337,683	33,352
Interest and Fiscal Charges	121,514	107,521	13,993
<i>Total Expenses</i>	<u>16,578,298</u>	<u>24,475,419</u>	<u>(7,897,121)</u>
<i>Change in Net Position</i>	7,359,299	(814,089)	<u>\$8,173,388</u>
<i>Net Position at Beginning</i>			
<i>of Year - Restated (See Note 3)</i>	<u>(4,883,752)</u>	N/A	
<i>Net Position at End of Year</i>	<u>\$2,475,547</u>	<u>(\$4,883,752)</u>	

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$46,109 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$793,355. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$16,578,298
Negative OPEB expense under GASB 75	793,355
2018 contractually required contribution	<u>59,296</u>
Adjusted 2018 program expenses	17,430,949
Total 2017 program expenses under GASB 45	<u>24,475,419</u>
Decrease in program expenses not related to OPEB	<u>(\$7,044,470)</u>

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The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 12) As a result of these changes, pension expense decreased from \$2,447,078 in fiscal year 2017 to a negative pension expense of \$7,243,852 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses:	<u>2018 Program Expenses Related to Negative Pension Expense</u>
Instruction:	
Regular	(\$5,060,112)
Special	(930,176)
Student Intervention Services	(216,778)
Support Services:	
Pupils	(421,560)
Instructional Staff	(114,292)
Administration	(377,234)
Fiscal	(19,678)
Operation and Maintenance of Plant	(34,975)
Pupil Transportation	(33,138)
Non-Instructional Services	(19,140)
Extracurricular Activities	(16,769)
Total Expenses	<u><u>(\$7,243,852)</u></u>

Governmental Activities

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted Intergovernmental Revenues were \$7,873,980 for fiscal year 2018. The increase in charges for services was mainly due to an increase in tuition and fees associated with services provided to non-resident students enrolling in the School District.

As previously mentioned, general revenues were \$16,063,617 for fiscal year 2018. The majority of these revenues are in the form of grants and entitlements not restricted to specific programs, and property and income taxes.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Support Services consists of several function categories as follows:

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Unaudited

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal, and business includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by State law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment, and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2018. Most expenses decreased as a result of the decrease in net pension liability which resulted from changes made during the fiscal year by the STRS retirement system.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. That is, it identifies the cost of these services supported by tax revenues and unrestricted grants and entitlements. The dependence upon tax revenues and intergovernmental foundation monies is apparent. The community and the State of Ohio, as a whole, provide the vast majority of resources for Union Scioto Local School District students.

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,968,190 and expenditures of \$25,121,346.

The General Fund balance decreased \$173,075 with expenditures outpacing revenues. The main reason for the decrease was due to the School District transferring General Fund monies to the Food Service Nonmajor fund and the Internal Service fund. These transfers were used to help cover shortfalls in those funds.

Union Scioto Local School District
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General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

A review of the budgetary comparison statement for the General Fund reflects a \$197,850 increase in revenues from the original budget to the final budget. This was mainly due to a conservative estimate in property tax revenue at the beginning of the fiscal year. There was a change in revenues from the final budget to actual revenues received of \$175,915. The primary increase occurred in property taxes with actual monies received being even higher than the revised estimate mostly due to property tax collections being higher than estimated.

The increase in expenditures from the original to the final budget is \$1,446,050. This difference is mainly due to the School District adjusting appropriations during the year in an effort to deal with changes as they occurred. The total difference in actual expenditures made from the final budget is \$238,766. Several variances occurred, with regular and special instruction along with debt service principal having the largest variances. Regular and special instruction variances occurred due to budgeted increases in health insurance premiums, with actual expenditures being less than the final budgeted amounts. Debt service principal varied due to the School District originally budgeting to pay the debt payment from General Fund but actually making the payment from the Permanent Improvement fund.

Actual General Fund revenues were less than Expenditures and Other Financing Uses by \$804,696.

The School District's ending unobligated cash balance was \$442,437 above the final budgeted amount.

Capital Assets

At the end of fiscal year 2018, the School District had \$21,080,546 invested in capital assets (net of accumulated depreciation). For further information regarding the School District's capital assets, refer to Note 10 in the Notes to the Basic Financial Statements.

Union Scioto Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Debt Administration

At June 30, 2018, the School District had \$1,465,000 in outstanding long-term general obligation debt, which includes serial bonds. The School District's long-term liabilities also include \$65,227 in bond premium relating to the general obligation debt. In addition, the School District's long-term obligations include capital leases in the amount of \$2,023,794 and compensated absences of \$2,485,785.

The School District's overall legal debt margin was \$18,459,110 with an unvoted debt margin of \$216,534 at June 30, 2018.

For further information regarding the School District's debt obligations, refer to Note 16 in the Notes to the Basic Financial Statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Rose, Treasurer, at Union Scioto Local School District, 1565 Egypt Pike, Chillicothe, Ohio 45601 or e-mail at jrose@gotanks.org.

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Union Scioto Local School District
Statement of Net Position
June 30, 2018

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$10,988,163
Cash and Cash Equivalents with Fiscal Agent	391,310
Materials and Supplies Inventory	2,370
Inventory Held for Resale	6,303
Accrued Interest Receivable	42,068
Accounts Receivable	9,649
Intergovernmental Receivable	160,304
Prepaid Items	34,708
Income Taxes Receivable	571,309
Property Taxes Receivable	3,843,937
Capital Assets:	
Land	444,360
Depreciable Capital Assets, Net	20,636,186
<i>Total Assets</i>	37,130,667
<u>Deferred Outflows of Resources</u>	
Deferred Charge on Refunding	46,824
Pension	6,599,764
OPEB	226,390
<i>Total Deferred Outflows of Resources</i>	6,872,978
<u>Liabilities:</u>	
Accounts Payable	30,976
Accrued Wages and Benefits Payable	2,070,893
Intergovernmental Payable	301,877
Accrued Interest Payable	8,279
Personal Leave Balance Payable	3,866
Matured Compensated Absences Payable	1,682
Long-Term Liabilities:	
Due Within One Year	565,100
Due in More Than One Year:	
Net Pension Liability (See Note 12)	22,539,000
Net OPEB Liability (See Note 13)	5,138,148
Other Amounts Due in More Than Year	5,474,706
<i>Total Liabilities</i>	36,134,527
<u>Deferred Inflows of Resources</u>	
Property Taxes	2,936,734
Pension	1,719,912
OPEB	736,925
<i>Total Deferred Inflows of Resources</i>	5,393,571
<u>Net Position:</u>	
Net Investment in Capital Assets	17,573,349
Restricted for:	
Debt Service	432,899
Student Activities	6,837
Ross County Christian Academy	23,886
Local, State, and Federal Grants	55,328
Classroom Facilities	483,658
Unrestricted	(16,100,410)
<i>Total Net Position</i>	\$2,475,547

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$7,277,024	\$3,962,131	\$191,853	(\$3,123,040)
Special	1,568,068	135,837	1,628,596	196,365
Vocational	177,034	0	146,474	(30,560)
Student Intervention Services	45,640	0	0	(45,640)
Support Services:				
Pupils	993,719	0	412,721	(580,998)
Instructional Staff	457,328	0	0	(457,328)
Board of Education	478,859	1,121	5,400	(472,338)
Administration	623,526	44,730	0	(578,796)
Fiscal	546,654	0	0	(546,654)
Business	34,135	0	0	(34,135)
Operation and Maintenance of Plant	1,552,852	23,361	0	(1,529,491)
Pupil Transportation	1,088,287	0	14,791	(1,073,496)
Operation of Non-Instructional Services	1,242,623	267,619	926,368	(48,636)
Extracurricular Activities	371,035	112,978	0	(258,057)
Interest and Fiscal Charges	121,514	0	0	(121,514)
Total Governmental Activities	\$16,578,298	\$4,547,777	\$3,326,203	(8,704,318)
<u>General Revenues:</u>				
				1,410,256
				Income Taxes
				Property Taxes Levied for:
				General Purposes
				Debt Service
				Capital Outlay
				Grants and Entitlements not Restricted to Specific Programs
				Unrestricted Contributions and Donations
				Gain on Early Termination of Capital Lease
				Investment Earnings
				Miscellaneous
				Total General Revenues
				Change in Net Position
				Net Position at Beginning of Year - Restated (See Note 3)
				Net Position at End of Year

See accompanying notes to the basic financial statements

Union Scioto Local School District

Balance Sheet

Governmental Funds

June 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$10,020,558	\$912,894	\$10,933,452
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	4,755	0	4,755
Receivables:			
Property Taxes	3,551,337	292,600	3,843,937
Income Taxes	571,309	0	571,309
Intergovernmental	14,020	146,284	160,304
Accounts	9,649	0	9,649
Accrued Interest	42,068	0	42,068
Prepaid Items	34,708	0	34,708
Materials and Supplies Inventory	0	2,370	2,370
Inventory Held for Resale	0	6,303	6,303
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$14,248,404</u>	<u>\$1,360,451</u>	<u>\$15,608,855</u>
<u>Liabilities:</u>			
Accounts Payable	\$29,135	\$1,841	\$30,976
Accrued Wages and Benefits Payable	1,842,705	228,188	2,070,893
Intergovernmental Payable	278,395	23,482	301,877
Personal Leave Balances Payable	3,866	0	3,866
Matured Compensated Absences Payable	1,682	0	1,682
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>2,155,783</u>	<u>253,511</u>	<u>2,409,294</u>
<u>Deferred Inflows of Resource:</u>			
Property Taxes	2,716,484	220,250	2,936,734
Unavailable Revenue	178,177	91,070	269,247
	<hr/>	<hr/>	<hr/>
<i>Total Deferred Inflows of Resources</i>	<u>2,894,661</u>	<u>311,320</u>	<u>3,205,981</u>
<u>Fund Balances:</u>			
Nonspendable	39,463	2,370	41,833
Restricted	0	965,402	965,402
Committed	222,565	0	222,565
Assigned	1,903,857	4,518	1,908,375
Unassigned (Deficit)	7,032,075	(176,670)	6,855,405
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>9,197,960</u>	<u>795,620</u>	<u>9,993,580</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$14,248,404</u>	<u>\$1,360,451</u>	<u>\$15,608,855</u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018

Total Governmental Fund Balances \$9,993,580

**Amounts reported for governmental activities in the
 Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	444,360	
Depreciable capital assets	44,988,000	
Accumulated depreciation	(24,351,814)	
Total capital assets		21,080,546

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent property taxes	80,642	
Income taxes	91,702	
Intergovernmental	84,657	
Accrued interest	12,246	
Total		269,247

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 441,266

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 46,824

The net pension/OPEB liability is not due and payable in the current period; therefore the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	6,599,764	
Deferred Outflows - OPEB	226,390	
Net Pension Liability	(22,539,000)	
Net OPEB Liability	(5,138,148)	
Deferred Inflows - Pension	(1,719,912)	
Deferred Inflows - OPEB	(736,925)	
Total		(23,307,831)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(1,465,000)	
Accrued interest on bonds	(8,279)	
Premium on refunding	(65,227)	
Capital leases	(2,023,794)	
Compensated absences	(2,485,785)	
Total liabilities		(6,048,085)

Net Position of Governmental Activities \$2,475,547

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,806,640	\$318,996	\$4,125,636
Income Taxes	1,425,279	0	1,425,279
Intergovernmental	11,275,066	2,372,651	13,647,717
Investment Earnings	31,344	350	31,694
Tuition and Fees	4,097,968	0	4,097,968
Rent	23,361	0	23,361
Extracurricular Activities	41,302	112,978	154,280
Contributions and Donations	2,000	14,360	16,360
Customer Sales and Services	4,549	267,619	272,168
Miscellaneous	142,704	31,023	173,727
<i>Total Revenues</i>	<u>20,850,213</u>	<u>3,117,977</u>	<u>23,968,190</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,665,210	177,411	11,842,621
Special	2,015,310	741,815	2,757,125
Vocational	72,531	0	72,531
Student Intervention Services	401,397	0	401,397
Support Services:			
Pupils	1,092,807	422,439	1,515,246
Instructional Staff	577,305	3,527	580,832
Board of Education	472,885	5,400	478,285
Administration	1,073,174	0	1,073,174
Fiscal	571,039	7,316	578,355
Business	33,648	0	33,648
Operation and Maintenance of Plant	1,391,420	112,154	1,503,574
Pupil Transportation	1,088,662	0	1,088,662
Operation of Non-Instructional Services	0	1,261,120	1,261,120
Extracurricular Activities	198,376	165,938	364,314
Capital Outlay	178,245	802,154	980,399
Debt Service:			
Principal Retirement	31,936	430,000	461,936
Interest and Fiscal Charges	51,338	76,789	128,127
<i>Total Expenditures</i>	<u>20,915,283</u>	<u>4,206,063</u>	<u>25,121,346</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(65,070)</u>	<u>(1,088,086)</u>	<u>(1,153,156)</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	178,245	0	178,245
Transfers In	0	65,000	65,000
Transfers Out	(286,250)	0	(286,250)
<i>Total Other Financing Sources (Uses)</i>	<u>(108,005)</u>	<u>65,000</u>	<u>(43,005)</u>
<i>Net Change in Fund Balances</i>	(173,075)	(1,023,086)	(1,196,161)
<i>Fund Balances at Beginning of Year</i>	<u>9,371,035</u>	<u>1,818,706</u>	<u>11,189,741</u>
<i>Fund Balances at End of Year</i>	<u>\$9,197,960</u>	<u>\$795,620</u>	<u>\$9,993,580</u>

Union Scioto Local School District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds (\$1,196,161)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	579,900	
Depreciation expense	(1,439,518)	
Excess of depreciation over capital outlay expense		(859,618)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets, resulting in a loss on the sale of capital assets in the Statement of Activities.

Gain on disposal of capital assets - early retirement of capital lease 4,025

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" inflows and are deferred in the governmental funds.

Delinquent property taxes	(217)	
Income taxes	(15,023)	
Intergovernmental	(23,312)	
Investment earnings	3,934	
Total		(34,618)

The Internal Service Fund used by management to charge the cost of insurance to individual funds is reported in the entity-wide Statement of Activities. (7,522)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. (178,245)

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

Pension	1,519,199	
OPEB	59,296	
Total		1,578,495

Except for amounts reported as deferred inflows/outflows, changes in the net position/OPEB liability are reported as pension expense in the Statement of Activities.

Pension	7,243,852	
OPEB	793,355	
Total		8,037,207

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Bond principal retirement	255,000	
Early retirement of Capital Lease	(47,309)	
Capital leases	254,245	
Total long-term debt repayment		461,936

Amortization of bond premiums, the deferred gain/loss on the refunding of debt, and accrued interest are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Amortization of deferred charges on refunding	(9,523)	
Decrease in accrued interest payable	2,868	
Amortization of bond premium	13,268	
Total		6,613

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	(452,813)
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Change in Net Position of Governmental Activities \$7,359,299

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,703,674	\$3,900,104	\$3,962,923	\$62,819
Income Taxes	1,384,642	1,384,642	1,402,432	17,790
Intergovernmental	11,281,526	11,282,946	11,311,975	29,029
Investment Earnings	125,000	125,000	155,780	30,780
Tuition and Fees	4,103,700	4,103,700	4,099,051	(4,649)
Rent	32,000	32,000	23,361	(8,639)
Contributions and Donations	500	500	2,000	1,500
Customer Sales and Services	1,700	1,700	1,121	(579)
Miscellaneous	114,000	114,000	161,864	47,864
<i>Total Revenues</i>	20,746,742	20,944,592	21,120,507	175,915
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	11,693,544	12,209,594	11,710,234	499,360
Special	2,057,651	2,307,651	2,056,856	250,795
Vocational	70,000	210,000	72,531	137,469
Student Intervention Services	400,939	400,939	400,939	0
Support Services:				
Pupils	795,308	795,308	1,098,064	(302,756)
Instructional Staff	501,955	501,955	709,345	(207,390)
Board of Education	377,180	437,180	690,064	(252,884)
Administration	1,004,165	1,004,165	1,013,327	(9,162)
Fiscal	471,247	511,247	594,955	(83,708)
Business	46,000	96,000	96,000	0
Operation and Maintenance of Plant	1,589,596	1,879,596	1,657,052	222,544
Pupil Transportation	895,718	995,718	1,254,080	(258,362)
Extracurricular Activities	196,590	196,590	199,589	(2,999)
Capital Outlay	64,885	64,885	0	64,885
Debt Service:				
Principal Retirement	175,000	175,000	0	175,000
Interest and Fiscal Charges	41,891	41,891	35,917	5,974
<i>Total Expenditures</i>	20,381,669	21,827,719	21,588,953	238,766
<i>Excess of Revenues Over (Under) Expenditures</i>	365,073	(883,127)	(468,446)	414,681
<u>Other Financing Uses:</u>				
Transfers Out	(360,000)	(360,000)	(336,250)	23,750
Refund of Prior Year Receipts	(4,006)	(4,006)	0	4,006
<i>Total Other Financing Uses</i>	(364,006)	(364,006)	(336,250)	27,756
<i>Net Change in Fund Balance</i>	1,067	(1,247,133)	(804,696)	442,437
<i>Fund Balance at Beginning of Year</i>	9,028,419	9,028,419	9,028,419	0
<i>Prior Year Encumbrances Appropriated</i>	822,648	822,648	822,648	0
<i>Fund Balance at End of Year</i>	\$9,852,134	\$8,603,934	\$9,046,371	\$442,437

Union Scioto Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2018

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$49,956
Cash and Cash Equivalents with Fiscal Agent	<u>391,310</u>
<i>Total Assets</i>	<u>441,266</u>
<u>Net Position:</u>	
Unrestricted	<u><u>\$441,266</u></u>

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$59,975
<u>Operating Expenses:</u>	
Purchased Services	208,401
Claims	80,346
<i>Total Operating Expenses</i>	288,747
<i>Loss Before Transfers</i>	(228,772)
Transfers In	221,250
<i>Change in Net Position</i>	(7,522)
<i>Net Position at Beginning of Year</i>	448,788
<i>Net Position at End of Year</i>	\$441,266

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	<u>Self-Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u>Cash Flows from Operating Activities:</u>	
Receipts from Interfund Services Provided	\$59,975
Cash Payments to Suppliers for Goods and Services	(208,401)
Cash Payments for Claims	(80,346)
<i>Net Cash Used for Operating Activities</i>	(228,772)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers	221,250
<i>Decrease in Cash and Cash Equivalents</i>	(7,522)
<i>Cash and Cash Equivalents at Beginning of Year</i>	448,788
<i>Cash and Cash Equivalents at End of Year</i>	\$441,266
<i>Reconciliation of Operating Loss to Net Cash</i>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$228,772)

See accompanying notes to the basic financial statements

Union Scioto Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

	<u>Student Managed Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$54,058</u></u>
<u>Liabilities:</u>	
Undistributed Monies	<u><u>\$54,058</u></u>

See accompanying notes to the basic financial statements

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Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1935 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 80 square miles. It is located in Ross County, and includes all of Union and Scioto Townships. It is staffed by 89 classified employees, 125 certificated teaching personnel, and 14 administrative employees who provide services to 2,181 students and other community members. The School District currently operates two instructional buildings, one administrative building, one maintenance building, and a bus garage.

Reporting Entity

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

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

The following activities are included with the reporting entity.

Ross County Christian Academy - Within the School District boundaries, the Ross County Christian Academy provides classes for pre-school through eighth grade. Current State legislation provides funding to this private school. Monies are received and disbursed on behalf of School District by the Treasurer of the School District, as directed by the academy. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a public entity shared risk pool. These organizations are:

- Metropolitan Educational Technology Association (META)
- Pickaway-Ross County Career and Technology Center
- Great Seal Education Network of Tomorrow
- Ohio Association of School Business Officials Workers' Compensation Group Rating Plan
- Ross County School Employees Insurance Consortium.

These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. However, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

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For the Fiscal Year Ended June 30, 2018

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

The following is the School District's only major governmental fund:

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

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

Union Scioto Local School District
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Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in Net Position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. The School District’s internal service fund is used to account for the vision and dental benefits provided to employees. The School District’s internal service fund also currently pays a portion of the medical premium costs due for health care coverage due to the School District no longer being self-insured to pay for this coverage.

Fiduciary Fund

Fiduciary fund reporting focuses on Net Position and changes in Net Position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has one fiduciary fund, an agency fund, used to account for student managed activity programs.

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Union Scioto Local School District
Notes to the Basic Financial Statements
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Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding and pension and OPEB plans. The deferred outflows of resources related to pension and OPEB are explained in Note 12 and 13.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Note 12 and 13).

Expenses/Expenditures

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

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

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first permanent appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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, including all supplemental appropriations.

Cash and Cash Equivalents

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

The School District participated in a claims servicing pool that paid employee health insurance claims on the School District's behalf. The remaining balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2018, is presented as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2018, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), Fifth Third Money Market Mutual Fund, Negotiable Certificates of Deposit, and United States Treasury Securities. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price. Investments in United States Treasury Securities and negotiable certificates of deposit are reported at fair value which is based on quoted market prices.

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

Union Scioto Local School District
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For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue, including a decrease in the fair market value of investments, credited to the General Fund during fiscal year 2018 amounted to \$31,344, which includes \$2,427 assigned from other School District funds.

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

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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for unclaimed monies held to be reclaimed by its rightful owner.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

Capital Assets

All capital assets of the School District are general capital assets associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Union Scioto Local School District
Notes to the Basic Financial Statements
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Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 - 10 years
Textbooks and Educational Media	5 - 20 years

Compensated Absences

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

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

Each year, four personal leave days are provided to all employees. Employees must use those days within one year of the date they are received. If not used within one year, any personal leave hours remaining for each employee automatically converts to sick leave hours. Therefore, any personal leave balance outstanding as of fiscal year-end is recorded as "Personal Leave Balance Payable" on the governmental fund financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

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

Union Scioto Local School District
Notes to the Basic Financial Statements
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Accrued Liabilities and Long-Term Obligations

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

Pensions/Other Postemployment Benefits (OPEB)

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

Bond Premiums

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as a reduction/addition of the face amount of the bonds payable. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued.

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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.

Union Scioto Local School District
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For the Fiscal Year Ended June 30, 2018

Restricted

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the general fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. The Assigned to Principal's are monies collected from various vending machine sales, fees, and donations which are utilized by the Principal's for various student programs. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the fiscal year 2019 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 used only to report a deficit balance.

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

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Notes to the Basic Financial Statements
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Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Position restricted for other purposes include food service and federal and State grants restricted to expenditures for specified purposes.

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

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

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

Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The effect of this implementation on net position as reported at June 30, 2017 is presented in the following table:

Net Position June 30, 2017	\$1,617,582
Adjustments:	
Net OPEB Liability	(6,547,443)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>46,109</u>
Restated Net Position June 30, 2017	<u>(\$4,883,752)</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 – ACCOUNTABILITY

At June 30, 2018, the Lunchroom, Early Childhood Grant, IDEA-B, Title I and Title II-A Improving Teacher Quality Special Revenue Funds had deficit fund balances of \$72,805, \$21,864, \$20,697, \$55,664, and \$5,640, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Union Scioto Local School District
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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
5. Certain funds are accounted for as a separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$173,075)
Adjustments:	
Revenue Accruals	1,554
Expenditure Accruals	96,733
Transfers	(50,000)
Encumbrances	(844,127)
Net Decrease in Fair	
Value of Investments - Fiscal Year 2017	8,174
Net Decrease in Fair	
Value of Investments - Fiscal Year 2018	127,180
Perspective Differences	28,865
Budget Basis	(\$804,696)

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 held by the School District can be deposited or invested in the following securities:

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

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

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

At June 30, 2018, the School District had “Cash and Cash Equivalents with Fiscal Agent” on the Statement of Net Position of \$391,310. This is money that was paid to a claims servicing pool that paid employee health insurance claims on the School District’s behalf. The money is held by Ross-Pike Educational Service District, which is the fiscal agent for several school districts. Since the monies are commingled, no disclosures regarding risk can be disclosed under GASB Statement No. 40. The classification for the Ross-Pike Educational Service District as a whole can be obtained by writing to Erin Kirby, who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

Investments

As of June 30, 2018, the School District had the following investment:

Measurement / Investment	Measurement Amount	Investment Maturities Less Than 1 Year	Investment Maturities (in Years) 1 - 2	Investment Maturities (in Years) 3 - 5	S&P Rating	Percent of Total Investments
Net Asset Value per Share:						
STAROhio	\$412,763	\$412,763	\$0	\$0	N/A	N/A
Fair Value Level 1 Inputs:						
Fifth Third Money Market Mutual Fund	71,690	71,690	0	0	N/A	N/A
Fair Value Level 2 Inputs:						
Negotiable Certificates of Deposit	6,169,638	1,983,379	1,943,835	2,242,424	N/A	N/A
United States Treasury Securities	3,960,741	0	172,506	3,788,235	AA+	37.31%
Totals	<u>\$10,614,832</u>	<u>\$2,467,832</u>	<u>\$2,116,341</u>	<u>\$6,030,659</u>		

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District’s recurring fair value measurements as of June 30, 2018. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District’s remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research

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publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. The School District will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk

The S&P ratings of the School District's investments are listed in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute or issued by United States Government sponsored enterprises.

Concentration of Credit Risk

The School District's investment policy provides that no more than 25 percent of the interim funds of the School District may be invested in commercial paper or banker's acceptances as authorized by Section 135.142 of the Ohio Revised Code. The percentage that each investment represents of the total investments is listed in the table above.

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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The Ross County Treasurer collects property taxes on behalf of all governments in the County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows – property taxes.

The amount available as an advance at June 30, 2018, was \$760,624 in the General Fund and \$65,937 in the Other Governmental Funds. The amount available as an advance at June 30, 2017, was \$916,907 in the General Fund and \$79,310 in the Other Governmental Funds.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second - Half Collections		2018 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$197,987,280	96.54%	\$199,549,990	92.16%
Public Utility Personal	7,098,200	3.46%	16,984,490	7.84%
Total Assessed Value	<u>\$205,085,480</u>	<u>100.00%</u>	<u>\$216,534,480</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$33.70		 \$33.70	

NOTE 8 – INCOME TAX

The School 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, 2000, and continued for five years. On March 2, 2004, May 5, 2009, and on May 6, 2014 the voters of the School District approved the renewal of the income tax levy. For the latest renewal, collections began January, 2015, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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NOTE 9 – RECEIVABLES

Receivables at June 30, 2018, consisted of property and income taxes, intergovernmental, accounts, and accrued interest. All receivables, except for property taxes, are considered fully collectible within one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Title I Grant	\$78,965
Miscellaneous State Grants	682
Special Education, Part B-IDEA Grant	10,002
Title II-A, Improving Teacher Quality Grant	9,034
Medicaid Reimbursement	11,450
Foundation Adjustment	2,570
Miscellaneous Federal Grants	47,601
Total Intergovernmental Receivables	<u><u>\$160,304</u></u>

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

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	Balance at 6/30/2017	Additions	Deletions	Balance at 6/30/2018
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$444,360	\$0	\$0	\$444,360
Construction in Progress	952,458	0	(952,458)	0
Total Capital Assets Not Being Depreciated	1,396,818	0	(952,458)	444,360
Capital Assets Being Depreciated:				
Land Improvements	1,905,938	5,239	0	1,911,177
Buildings and Improvements	37,503,554	1,205,843	0	38,709,397
Furniture, Fixtures and Equipment	1,900,676	282,476	(199,773)	1,983,379
Vehicles	1,743,117	0	0	1,743,117
Textbooks and Educational Media	602,130	38,800	0	640,930
Total Capital Assets Being Depreciated	43,655,415	1,532,358	(199,773)	44,988,000
Less Accumulated Depreciation:				
Land Improvements	(1,241,136)	(88,221)	0	(1,329,357)
Buildings and Improvements	(18,543,439)	(1,148,776)	0	(19,692,215)
Furniture, Fixtures and Equipment	(1,413,150)	(122,557)	156,489	(1,379,218)
Vehicles	(1,315,130)	(66,397)	0	(1,381,527)
Textbooks and Educational Media	(555,930)	(13,567)	0	(569,497)
Total Accumulated Depreciation	(23,068,785)	(1,439,518) *	156,489	(24,351,814)
Total Capital Assets Being Depreciated, Net	20,586,630	92,840	(43,284)	20,636,186
Governmental Activities Capital Assets, Net	\$21,983,448	\$92,840	(\$995,742)	\$21,080,546

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,288,702
Vocational	812
Support Services:	
Pupils	646
Instructional Staff	13,936
Board of Education	363
Administration	4,598
Fiscal	1,321
Business	487
Operation and Maintenance of Plant	41,078
Pupil Transportation	65,983
Operation of Non-Instructional Services	15,123
Extracurricular Activities	6,469
Total Depreciation Expense	\$1,439,518

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NOTE 11 – RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Wright Specialty for building and contents, fleet and liability insurance.

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

Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management LLC. provides administrative, cost control, and actuarial services to the GRP.

Vision Benefits

Vision insurance is offered to employees through a self-insurance internal service fund and is administered by Core Source. Claims are processed through Core Source and billed to the School District.

The information presented below represents an estimate of vision claims. Any claim liabilities are reported in the internal service fund at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District had no claims payable at June 30, 2018.

Changes in claims activity for the past two fiscal years are as follows:

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Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2017	\$3,986	\$253,525	\$257,511	\$0
2018	0	80,346	80,346	0

Employee Medical and Surgical Benefits

Medical and surgical insurance is offered to employees through the Ross County School Employees Insurance Consortium, a public entity shared risk pool (Note 20). The School District is a member of the Consortium which is considered a public entity shared risk pool, consisting of six school districts and one educational service center within Ross County and its surrounding area, in which monthly premiums are paid to the consortium and coverage's are administered through a third party administrator, Medical Mutual.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also

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includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$335,796 for fiscal year 2018. Of this amount, \$77,750 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,183,403 for fiscal year 2018. Of this amount, \$181,438 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.08625630%	0.07580078%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.08226510%</u>	<u>0.07418936%</u>	
Change in Proportionate Share	<u>-0.00399120%</u>	<u>-0.00161142%</u>	
Proportionate Share of the Net Pension Liability	\$4,915,158	\$17,623,842	\$22,539,000
Pension Expense	(\$184,544)	(\$7,059,308)	(\$7,243,852)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$211,531	\$680,550	\$892,081
Changes of assumptions	254,167	3,854,528	4,108,695
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	79,789	0	79,789
School District contributions subsequent to the measurement date	<u>335,796</u>	<u>1,183,403</u>	<u>1,519,199</u>
Total Deferred Outflows of Resources	<u>\$881,283</u>	<u>\$5,718,481</u>	<u>\$6,599,764</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$142,041	\$142,041
Net difference between projected and actual earnings on pension plan investments	23,331	581,607	604,938
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>190,604</u>	<u>782,329</u>	<u>972,933</u>
Total Deferred Outflows of Resources	<u>\$213,935</u>	<u>\$1,505,977</u>	<u>\$1,719,912</u>

\$1,519,199 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$189,494	\$538,798	\$728,292
2020	235,210	1,329,982	1,565,192
2021	21,431	951,098	972,529
2022	<u>(114,583)</u>	<u>209,223</u>	<u>94,640</u>
Total	<u>\$331,552</u>	<u>\$3,029,101</u>	<u>\$3,360,653</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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, 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

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Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

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	1% Decrease █ (6.50%)	Current Discount Rate █ (7.50%)	1% Increase █ (8.50%)
School District's proportionate share of the net pension liability	\$6,820,962	\$4,915,158	\$3,318,658

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016, are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, 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.

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. 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, 2017.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$25,263,177	\$17,623,842	\$11,188,846

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NOTE 13 – DEFINED BENEFIT OPEB PLANS

See Note 12 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .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 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$46,859.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$59,296 for fiscal year 2018. Of this amount, \$49,636, is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.08748330%	0.07580078%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.08359810%</u>	<u>0.07418936%</u>	
Change in Proportionate Share	<u>-0.00388520%</u>	<u>-0.00161142%</u>	
Proportionate Share of the Net			
OPEB Liability	\$2,243,553	\$2,894,595	\$5,138,148
OPEB Expense	\$102,230	(\$895,585)	(\$793,355)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$0	\$167,094	\$167,094
School District contributions subsequent to the measurement date	<u>59,296</u>	<u>0</u>	<u>59,296</u>
Total Deferred Outflows of Resources	<u>\$59,296</u>	<u>\$167,094</u>	<u>\$226,390</u>
Deferred Inflows of Resources:			
Changes of assumptions	\$212,902	\$233,169	\$446,071
Net difference between projected and actual earnings on OPEB plan investments	5,925	123,722	129,647
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>87,339</u>	<u>73,868</u>	<u>161,207</u>
Total Deferred Inflows of Resources	<u>\$306,166</u>	<u>\$430,759</u>	<u>\$736,925</u>

\$59,296 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$110,264)	(\$54,254)	(\$164,518)
2020	(110,264)	(54,254)	(164,518)
2021	(84,155)	(54,254)	(138,409)
2022	(1,483)	(54,255)	(55,738)
2023	0	(23,324)	(23,324)
Thereafter	<u>0</u>	<u>(23,324)</u>	<u>(23,324)</u>
Total	<u>(\$306,166)</u>	<u>(\$263,665)</u>	<u>(\$569,831)</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.

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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, 2017, 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	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 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

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return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 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 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease <u>(2.63%)</u>	Current Discount Rate <u>(3.63%)</u>	1% Increase <u>(4.63%)</u>
School District's proportionate share of the net OPEB liability	\$2,709,376	\$2,243,553	\$1,874,503
	1% Decrease <u>(6.5 % decreasing to 4.0 %)</u>	Current Trend Rate <u>(7.5 % decreasing to 5.0 %)</u>	1% Increase <u>(8.5 % decreasing to 6.0 %)</u>
School District's proportionate share of the net OPEB liability	\$1,820,475	\$2,243,553	\$2,803,504

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

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
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 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, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of 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 blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School 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, 2017, calculated using the current period discount rate assumption of 4.13 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 (3.13 percent) or one percentage point higher (5.13 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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$3,885,947	\$2,894,595	\$2,111,103
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$2,011,041	\$2,894,595	\$4,057,456

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NOTE 14 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation, sick leave and personal leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

All certificated and classified employees who work 12 months and all administrators earn sick leave at the rate of one and one-half days per month, while all other employees earn one and one-fourth days per month. An unlimited amount of sick leave may be accumulated for all personnel. Upon retirement, payment is made for one-half of accrued, but unused sick leave credit to a maximum payment of 184 days for all classified employees, 184 days for all teachers, and the entire balance for the Treasurer and Superintendent. (Teachers payout is limited to \$222 per paid out day.)

All employees earn four days of personal leave per fiscal year. Classified and certificated employees have the option of receiving payment of any unused personal days after fiscal year-end, or converting them to sick leave, to be used in subsequent years.

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Mutual of Omaha. Dental insurance is provided to employees as a fully insured plan administered by Core Source.

Deferred Compensation

School District employees may participate in either the Ohio Public Employees Deferred Compensation Plan or the Ohio Association of School Business Officials Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 15 – LEASES – LESSEE DISCLOSURE

During fiscal year 2018, the School District replaced its prior lease with a new capital lease. The remaining principal payments of \$47,309 on the old copier lease will not be made and were removed from long-term liabilities. The new capital lease in the amount of \$178,245 was recorded as a long-term liability. Total lease payments made on these leases during fiscal year 2018 were \$31,936 and paid from the General Fund.

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During fiscal year 2017, the School District entered into a lease-purchase agreement with Branch Banking and Trust Company to construct, equip and furnish a new athletic locker room building, the renovation of an existing building into a new wrestling and storage building, the renovation of an existing room within the high school into a new weight/fitness room and related parking lot improvements. The lease arrangement is for a period not to exceed 10 years. Annual payments associated with the lease-Purchase agreement will range between \$216,000 and \$229,815 per year. The project was completed and added as an asset during fiscal year 2018. Total lease payments made during the fiscal year 2018 were \$175,000 and were paid from the Permanent Improvement Fund.

Capital assets acquired by lease were initially capitalized in the amount of \$2,223,245 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position for governmental activities.

The assets acquired through capital leases as of June 30, 2018, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Facilities and Renovations	\$2,045,000	(\$12,189)	\$2,032,811
Copiers	178,245	(29,707)	148,538
Total	\$2,223,245	(\$41,896)	\$2,181,349

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Total Payments
2019	\$274,892
2020	275,773
2021	276,547
2022	277,213
2023	238,683
2024-2027	910,473
Total	2,253,581
Less: Amount Representing Interest	(229,787)
Present Value of Net Minimum Lease Payments	\$2,023,794

NOTE 16 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during the fiscal year 2018 were as follows:

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	Restated Amounts Outstanding 6/30/17	Additions	Deductions	Amounts Outstanding 6/30/18	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2006 School Improvement Refunding Bonds - 3.65% to 4.75%					
Serial Bonds	\$1,720,000	\$0	\$255,000	\$1,465,000	\$270,000
Premium on Refunding	78,495	0	13,268	65,227	0
Total General Obligations Bonds	1,798,495	0	268,268	1,530,227	270,000
Net Pension Liability:					
SERS	6,313,164	0	1,398,006	4,915,158	0
STRS	25,372,806	0	7,748,964	17,623,842	0
Total Net Pension Liability	31,685,970	0	9,146,970	22,539,000	0
Net OPEB Liability:					
SERS	2,493,598	0	250,045	2,243,553	0
STRS	4,053,845	0	1,159,250	2,894,595	0
Total Net OPEB Liability	6,547,443	0	1,409,295	5,138,148	0
Capital Leases	2,099,794	178,245	254,245	2,023,794	220,360
Compensated Absences	2,032,972	536,136	83,323	2,485,785	74,740
Total Governmental Activities					
Long-Term Obligations	<u>\$44,164,674</u>	<u>\$714,381</u>	<u>\$11,162,101</u>	<u>\$33,716,954</u>	<u>\$565,100</u>

2006 School Improvement Refunding Bonds – On May 11, 2006, the School District issued \$2,599,999 of general obligation bonds for the purpose of refunding a portion (the term bonds only) of the 2000 School Improvement Bonds. Of the Refunding Bonds, \$2,585,000 are serial bonds with interest rates ranging from 3.65 to 4.75 percent and \$14,999 is a capital appreciation bond with an interest rate of 4.3 percent. The bonds were issued for a 17 year period, with final maturity in December, 2022. The bonds will be retired from the Bond Retirement Debt Service Fund.

The serial bonds maturing on and after December 1, 2016, are subject to optional redemption, commencing June 1, 2016, at 100 percent of the face value of the bonds.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2018, are as follows:

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Fiscal Year Ending June 30,	Serial Bonds	
	Principal	Interest
2019	\$270,000	\$59,331
2020	280,000	47,300
2021	295,000	34,537
2022	305,000	21,037
2023	315,000	7,088
Totals	<u>\$1,465,000</u>	<u>\$169,293</u>

There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the General Fund. For additional information related to the net pension/OPEB liability see Note 12 and Note 13.

Compensated absences and capital leases will be paid from the General Fund.

The School District's overall legal debt margin was \$18,459,110 with an unvoted debt margin of \$216,534 at June 30, 2018.

NOTE 17 – INTERFUND ACTIVITY

Transfers

Transfers made during the fiscal year ended June 30, 2018, were as follows:

Transfers To	Transfers From	
	General Fund	
Nonmajor Governmental Funds	\$65,000	
Internal Service Fund	221,250	
Total Transfers	<u>\$286,250</u>	

For fiscal year 2018, General Fund transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer to the Internal Service Fund was to help fund the activity for the School District's self-funded dental and vision insurance.

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META)

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium and a regional council of governments. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid META \$42,750 for services provided during the fiscal year. Financial information can be obtained from META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

Pickaway-Ross County Career and Technology Center

The Pickaway-Ross County Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of 11 representatives from the various City and County boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Technology Center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The Technology Center provides vocational instruction to students in both Pickaway and Ross Counties. The School District made no payments to the Technology Center for services provided during the fiscal year. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Todd Stahr who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Great Seal Education Network of Tomorrow

The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of 12 city, local, and joint vocational school districts, two educational service centers, and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. The Board exercises total control over the operations of Council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 19 – INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan

The School District participates in a group rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers’ Compensation Group Retrospective Rating Plan GRP) was established as a group insurance purchasing pool. The GRP’s business and affairs are conducted by Comp Management, LLC.

NOTE 20 – PUBLIC ENTITY SHARED RISK POOL

Ross County School Employees Insurance Consortium

The School District is a member of the Ross County School Employees Insurance Consortium (the “Consortium”), a public entity shared risk pool consisting of six school districts and one educational service center within Ross County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, Medical Mutual. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

NOTE 21 – SET-ASIDE CALCULATIONS

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

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

	<u>Capital Acquisitions</u>
Set-aside Balance as of June 30, 2017	\$0
Current Fiscal Year Set-aside Requirement	386,289
Current Fiscal Year Offsets	(133,372)
Qualifying Disbursements	<u>(252,917)</u>
Set-aside Balance as of June 30, 2018	<u><u>\$0</u></u>

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

NOTE 22 – SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	\$847,358
Internal Service Fund	13,677
Nonmajor Governmental Funds	51,578
Total	<u><u>\$912,613</u></u>

NOTE 23 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fund Balances	General Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>			
Prepays	\$34,708	\$0	\$34,708
Inventory	0	2,370	2,370
Unclaimed Monies	4,755	0	4,755
<i>Total Nonspendable</i>	39,463	2,370	41,833
<i>Restricted for:</i>			
Debt Payment	0	436,007	436,007
Student Activities	0	6,837	6,837
Ross County Christian Academy	0	23,886	23,886
Local, State and Federal Grants	0	16,256	16,256
Classroom Facilities	0	482,416	482,416
<i>Total Restricted</i>	0	965,402	965,402
<i>Committed to</i>			
Severance Payments	222,565	0	222,565
<i>Assigned to:</i>			
Capital Improvements	0	4,518	4,518
Future Appropriations	1,047,656	0	1,047,656
Purchases on Order	815,030	0	815,030
Principal's Fund	41,171	0	41,171
<i>Total Assigned</i>	1,903,857	4,518	1,908,375
<i>Unassigned (Deficit):</i>	7,032,075	(176,670)	6,855,405
<i>Total Fund Balances</i>	\$9,197,960	\$795,620	\$9,993,580

NOTE 24 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

Union Scioto Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The School District is not party to any legal proceedings.

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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.08226510%	0.08625630%	0.08625250%
School District's Proportionate Share of the Net Pension Liability	\$4,915,158	\$6,313,164	\$4,921,650
School District's Covered Payroll	\$2,641,100	\$2,813,000	\$2,683,214
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	186.10%	224.43%	183.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.08195000%	0.08195000%
\$4,147,443	\$4,873,303
\$2,501,771	\$2,047,176
165.78%	238.05%
71.70%	65.52%

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.08359810%	0.08748330%
School District's Proportionate Share of the Net OPEB Liability	\$2,243,553	\$2,493,598
School District's Covered Payroll	\$2,641,100	\$2,813,000
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	84.95%	88.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.07418936%	0.07580078%	0.07715906%
School District's Proportionate Share of the Net Pension Liability	\$17,623,842	\$25,372,806	\$21,324,507
School District's Covered Payroll	\$8,074,200	\$8,157,543	\$8,067,236
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	218.27%	311.03%	264.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.07850294%	0.07850294%
\$19,094,631	\$22,745,401
\$7,885,923	\$7,669,808
242.14%	296.56%
74.70%	69.30%

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.07418936%	0.07580078%
School District's Proportionate Share of the Net OPEB Liability	\$2,894,595	\$4,053,845
School District's Covered Payroll	\$8,074,200	\$8,157,543
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.85%	49.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$335,796	\$369,754	\$393,820	\$353,648
Contributions in Relation to the Contractually Required Contribution	<u>(335,796)</u>	<u>(369,754)</u>	<u>(393,820)</u>	<u>(353,648)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,487,378	\$2,641,100	\$2,813,000	\$2,683,214
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	59,296	46,109	44,576	67,915
Contributions in Relation to the Contractually Required Contribution	<u>(59,296)</u>	<u>(46,109)</u>	<u>(44,576)</u>	<u>(67,915)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.38%</u>	<u>1.75%</u>	<u>1.58%</u>	<u>2.53%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.88%</u>	<u>15.75%</u>	<u>15.58%</u>	<u>15.71%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$346,745	\$283,329	\$228,663	\$99,159	\$284,539	\$178,421
<u>(346,745)</u>	<u>(283,329)</u>	<u>(228,663)</u>	<u>(99,159)</u>	<u>(284,539)</u>	<u>(178,421)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,501,771	\$2,047,176	\$1,700,094	\$788,857	\$2,101,471	\$1,813,223
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
45,359	41,157	41,178	41,959	39,094	103,247
<u>(45,359)</u>	<u>(41,157)</u>	<u>(41,178)</u>	<u>(41,959)</u>	<u>(39,094)</u>	<u>(103,247)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.81%</u>	<u>2.01%</u>	<u>2.42%</u>	<u>5.32%</u>	<u>1.86%</u>	<u>5.69%</u>
<u>15.67%</u>	<u>15.85%</u>	<u>15.87%</u>	<u>17.89%</u>	<u>15.40%</u>	<u>15.53%</u>

Union Scioto Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$1,183,403	\$1,130,388	\$1,142,056	\$1,129,413
Contributions in Relation to the Contractually Required Contribution	<u>(1,183,403)</u>	<u>(1,130,388)</u>	<u>(1,142,056)</u>	<u>(1,129,413)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$8,452,879	\$8,074,200	\$8,157,543	\$8,067,236
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$1,025,170	\$997,075	\$984,202	\$1,008,176	\$1,000,804	\$909,196
<u>(1,025,170)</u>	<u>(997,075)</u>	<u>(984,202)</u>	<u>(1,008,176)</u>	<u>(1,000,804)</u>	<u>(909,196)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,885,923	\$7,669,808	\$7,573,092	\$7,755,200	\$7,698,492	\$6,993,815
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$78,859	\$76,698	\$75,731	\$77,552	\$76,985	\$69,938
<u>(78,859)</u>	<u>(76,698)</u>	<u>(75,731)</u>	<u>(77,552)</u>	<u>(76,985)</u>	<u>(69,938)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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Union Scioto Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

NET PENSION LIABILITY

Changes in Assumptions - SERS

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

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

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

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

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

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

Union Scioto Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% 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.

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

NET OPEB LIABILITY

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

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

Changes in Assumptions – STRS

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program	3L60	10.555	67,690	67,690
Cash Assistance				
School Breakfast Program	3L70	10.553	238,271	238,271
National School Lunch Program	3L60	10.555	407,763	407,763
Total Nutrition Cluster			713,724	713,724
Child and Adult Care Food Program	3L80	10.558	2,203	2,203
Total U.S. Department of Agriculture			715,927	715,927
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	3M00	84.010	723,260	712,491
Special Education Cluster:				
Special Education Grants to States	3M20	84.027	432,062	430,558
Total Special Education Grants to States Cluster			432,062	430,558
Title IV-A Student Support and Enrichment	3H10	84.424	4,872	3,412
Title VI, Rural and Low Income	3Y80	84.358	32,145	30,515
Improving Teacher Quality State Grants	3Y60	84.367	80,147	79,919
Total U.S. Department of Education			1,272,486	1,256,895
Total Federal Awards Receipts and Expenditures			1,988,413	1,972,822

**UNION-SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Union-Scioto Local School District (the Government's) under programs of the federal government for the year ended June 30, 2018. 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 Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has elected **not** to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - MATCHING REQUIREMENTS

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

OHIO AUDITOR OF STATE KEITH FABER



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

Union Scioto Local School District
Ross County
1565 Egypt Pike
Chillicothe, Ohio 45601

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Union Scioto Local School District, Ross County, (the District) as of and for the year ended June 30, 2018, 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 30, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 30, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

Union Scioto Local School District
Ross County
1565 Egypt Pike
Chillicothe, Ohio 45601

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Union Scioto Local 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 Union Scioto Local School District's major federal programs for the year ended June 30, 2018. 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 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 the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, Union Scioto Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2018.

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 30, 2019

**UNION SCIOTO LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

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)?	No
<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
<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?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



UNION – SCIOTO LOCAL SCHOOL DISTRICT

ROSS 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 19, 2019**