

NORTH UNION LOCAL SCHOOL DISTRICT UNION COUNTY, OHIO

Cash Basis Basic Financial Statements

**For the Year Ended
June 30, 2020**

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**CASH BASIS BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

Table of Contents.....	1
Accountant’s Compilation Report	2
Management’s Discussion and Analysis	5 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	15
Statement of Activities - Cash Basis	16
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	17
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds	18
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund.....	19
Notes to the Basic Financial Statements.....	21 - 52

Accountant's Compilation Report

To the North Union Local School District Board of Education
Richwood, Ohio

Management is responsible for the accompanying basic financial statements of the North Union Local School District, which comprise the statements listed in the table of contents as of June 30, 2020, and for the year then ended, and the related notes to the financial statements in accordance with the cash basis of accounting, and for determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on the financial statements.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is an accounting basis other than accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 14 was presented to supplement the basic financial statements for purposes of additional analysis. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, conclusion, nor provide any assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
August 18, 2020

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- The total net cash position of the District decreased \$2,186,671 or 12.90% from June 30, 2019's restated net position.
- General cash receipts accounted for \$20,656,708 or 81.93% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$4,556,920 or 18.07% of total cash receipts of \$25,213,628.
- The District had \$27,400,299 in cash disbursements related to governmental activities; only \$4,556,920 of these cash disbursements were offset by program specific charges for services, grants, contributions, or interest. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$25,213,628 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$17,942,607 in cash receipts and \$17,664,547 in cash disbursements and other financing uses. During fiscal year 2020, the general fund's cash balance increased from \$11,495,781 to \$11,773,841.

Using these Cash Basis Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The *statement of net position - cash basis* and the *statement of activities - cash basis* answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting will take into account only the current year's receipts and disbursements if the cash is actually received or paid.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-19 of this report.

Notes to the Basic Financial Statements

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

The District as a Whole

The statement of net position - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.B.

	Net Cash Position	
	Governmental	Restated
	Activities	Governmental
	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current and other assets	\$ 14,766,940	\$ 16,953,611
<u>Net cash position</u>		
Restricted	\$ 2,993,099	\$ 5,457,830
Unrestricted	<u>11,773,841</u>	<u>11,495,781</u>
Total net cash position	<u>\$ 14,766,940</u>	<u>\$ 16,953,611</u>

At June 30, 2020, the District's net cash position was \$14,766,940. A portion of this amount, or \$2,993,099, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$11,773,841 may be used to meet the District's ongoing obligations to its students and creditors.

The following table shows the change in net cash position for fiscal years 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.B.

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2020</u>	<u>2019</u>
<u>Cash Receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 2,135,941	\$ 2,128,634
Operating grants, contributions, and interest	2,318,094	1,721,017
Capital grants, contributions, and interest	102,885	50,267
General cash receipts:		
Property taxes	5,987,310	5,921,734
Income taxes	2,138,567	2,079,588
Grants and entitlements	7,831,133	8,110,813
Investment earnings	255,043	326,376
Refunding bonds issued	4,375,000	-
Premiums on refunding bonds issued	47,600	-
Lease purchase agreement	-	2,044,000
Miscellaneous	<u>22,055</u>	<u>71,063</u>
Total cash receipts	<u>25,213,628</u>	<u>22,453,492</u>

(Continued)

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Change in Net Position - (Continued)	
	Governmental	Restated
	Activities	Governmental
	<u>2020</u>	<u>2019</u>
<u>Cash Disbursements</u>		
Program disbursements:		
Instruction:		
Regular	6,796,165	7,075,192
Special	2,581,391	2,249,448
Vocational	1,015,443	1,049,821
Other	7,760	44,867
Support services:		
Pupil	1,643,789	1,627,072
Instructional staff	630,350	577,257
Board of education	42,732	29,324
Administration	1,450,483	1,268,358
Fiscal	505,436	660,799
Operations and maintenance	2,449,004	2,116,136
Pupil transportation	977,469	1,065,789
Central	4,603	8,683
Other non-instructional services	115	3,612
Food service operations	697,381	698,362
Extracurricular activities	617,272	465,824
Facilities acquisition and construction	2,828,589	53,145
Debt service:		
Principal retirement	532,000	578,218
Interest and fiscal charges	202,317	138,979
Payment to refunded bond escrow agent	4,380,000	-
Bond issuance costs	38,000	-
Total cash disbursements	<u>27,400,299</u>	<u>19,710,886</u>
Change in net cash position	(2,186,671)	2,742,606
Net cash position at beginning of year (restated)	<u>16,953,611</u>	<u>14,211,005</u>
Net cash position at end of year	<u>\$ 14,766,940</u>	<u>\$ 16,953,611</u>

Governmental Activities

Net cash position of the District's governmental activities decreased \$2,186,671. Total governmental cash disbursements of \$27,400,299 were offset by program cash receipts of \$4,556,920 and general cash receipts of \$20,656,708. Program cash receipts supported 16.63% of the total governmental disbursements.

In total, cash receipts increased compared to the prior year. This was primarily the result of the District issuing refunding bonds and premiums to refund the 2012 debt issuance. Additionally, operating grants and contributions increased due to student wellness money received from the State. The primary sources of receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These sources represent 63.29% of total governmental cash receipts. Unrestricted grants and entitlements primarily consist of Foundation Program revenue from the State that is allocated to the District.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total cash disbursements changed slightly in fiscal year 2020, increasing \$7,689,413 or 39.01%. Debt service disbursements increased due to bond issuance costs and payments to the refunded bond escrow agent for the refunding of the previous bonds. Facilities acquisition and construction disbursements also increased due to the construction of a field house.

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

Governmental Activities

	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>
Program cash disbursements				
Instruction:				
Regular	\$ 6,796,165	\$ 5,176,104	\$ 7,075,192	\$ 5,646,617
Special	2,581,391	1,598,404	2,249,448	1,155,307
Vocational	1,015,443	853,782	1,049,821	888,272
Other	7,760	7,760	44,867	44,867
Support services:				
Pupil	1,643,789	956,219	1,627,072	1,361,265
Instructional staff	630,350	608,717	577,257	550,643
Board of education	42,732	42,732	29,324	29,324
Administration	1,450,483	1,439,895	1,268,358	1,268,358
Fiscal	505,436	416,120	660,799	577,624
Operations and maintenance	2,449,004	2,301,390	2,116,136	2,116,136
Pupil transportation	977,469	951,813	1,065,789	1,065,789
Central	4,603	4,603	8,683	8,683
Other non-instructional services	115	-	3,612	463
Food service operations	697,381	126,255	698,362	55,165
Extracurricular activities	617,272	378,679	465,824	272,113
Facilities acquisition and construction	2,828,589	2,828,589	53,145	53,145
Debt service:				
Principal retirement	532,000	532,000	578,218	578,218
Interest and fiscal charges	202,317	202,317	138,979	138,979
Bond issuance costs	4,380,000	4,380,000	-	-
Payment to refunded bond escrow agent	38,000	38,000	-	-
Total	<u>\$ 27,400,299</u>	<u>\$ 22,843,379</u>	<u>\$ 19,710,886</u>	<u>\$ 15,810,968</u>

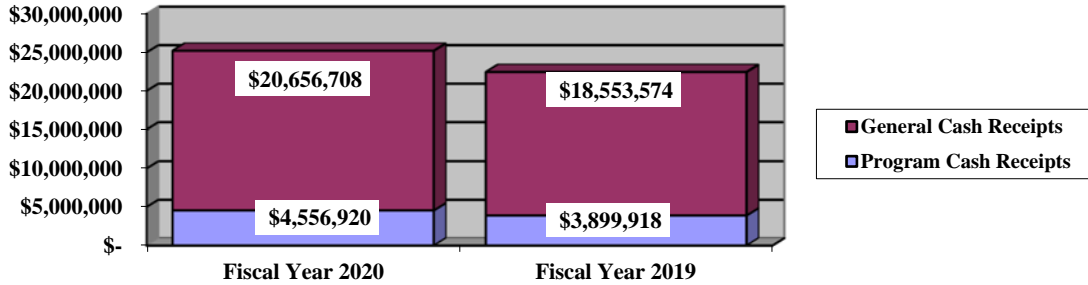
The dependence upon general cash receipts for governmental activities is apparent with 83.37% and 80.21% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2020 and 2019, respectively.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue for fiscal years 2020 and 2019.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$14,766,940, compared to last year's combined fund cash balance of \$16,953,611. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2020 and June 30, 2019, for all major and nonmajor governmental funds. The fund balances at June 30, 2019 have been restated as described in Note 3.B.

	Fund Cash Balance June 30, 2020	Restated Fund Cash Balance June 30, 2019	Change
General	\$ 11,773,841	\$ 11,495,781	\$ 278,060
Nonmajor governmental	2,993,099	5,457,830	(2,464,731)
Total	\$ 14,766,940	\$ 16,953,611	\$ (2,186,671)

General Fund

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

	2020 Amount	2019 Amount	Change	Percentage Change
Cash Receipts				
Property taxes	\$ 5,203,526	\$ 5,114,068	\$ 89,458	1.75 %
Income taxes	2,138,567	2,079,588	58,979	2.84 %
Tuition	1,496,677	1,444,101	52,576	3.64 %
Earnings on investments	254,168	326,376	(72,208)	(22.12) %
Intergovernmental	8,627,666	8,807,075	(179,409)	(2.04) %
Other receipts	222,003	275,206	(53,203)	(19.33) %
Total	\$ 17,942,607	\$ 18,046,414	\$ (103,807)	(0.58) %

Property taxes increased \$89,458 or 1.75% due to an increase in assessed values and property tax collections within the District. Income tax receipts increased \$58,979, or 2.84%, due to an increase in collections on the District's 1% income tax levy. Tuition increased \$52,576 or 3.64% due to an increase in open enrollment. Earnings on investments decreased \$72,208, or 22.12%, due to a decline in interest rates on the District's investments. Intergovernmental receipts decreased \$179,409 or 2.04% due to a decrease in State foundation funding due to the COVID-19 pandemic.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>				
Instruction	\$ 10,124,343	\$ 10,168,177	\$ (43,834)	(0.43) %
Support services	6,983,100	7,039,718	(56,618)	(0.80) %
Operation of non-instructional services	-	463	(463)	(100.00) %
Extracurricular activities	401,574	347,565	54,009	15.54 %
Facilities acquisition and construction	154,530	8,720	145,810	1,672.13 %
Debt service	-	167,672	(167,672)	(100.00) %
Total	<u>\$ 17,663,547</u>	<u>\$ 17,732,315</u>	<u>\$ (68,768)</u>	(0.39) %

Overall disbursements of the general fund decreased \$68,768 or 0.39%. Instruction and support services decreased \$43,834 and \$56,618, respectively. These decreases were primarily the result of various decreases due to the COVID-19 pandemic. Debt service decreased due to a decrease in payments related to a capital lease.

General Fund Budgeting Highlights

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

For the general fund, original estimated budgetary basis receipts and other financing sources of \$17,927,680 were decreased to \$17,825,644 in the final budget. Intergovernmental receipts decreased \$233,548 due to a decrease in State funding through the Foundation program. The actual budgetary basis receipts and other financing sources of \$18,029,570 exceeded final budget estimates by \$203,926.

Original budgetary basis disbursements and other financing uses of \$21,678,648 decreased to \$21,677,198 in the final budget. The actual budgetary basis disbursements of \$18,587,636 were \$3,089,562 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$2,828,589 during fiscal year 2020.

Debt Administration

At June 30, 2020, the District had \$6,317,000 in general obligation bonds and lease purchase agreement obligations outstanding. Of the total outstanding debt, \$564,000 is due within one year and \$5,753,000 is due in more than one year. Additions to long-term obligations during fiscal year 2020 amounted to \$4,375,000 from refunding bonds, while total reductions during the fiscal year were \$4,912,000.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

The following table summarizes the District's outstanding debt.

Outstanding Debt at Year End

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
General obligation bonds	\$ 4,375,000	\$ 4,810,000
Lease purchase agreement	<u>1,942,000</u>	<u>2,044,000</u>
Total	<u>\$ 6,317,000</u>	<u>\$ 6,854,000</u>

See Note 12 in the notes to the basic financial statements for additional information on the District's debt administration.

Current Issues

The Board of Education entered into a negotiated agreement in the Spring of 2017 that will be in effect until June 30, 2021. Part of that agreement was a wage reopener for the 2020-2021 Fiscal Year. This was successful negotiated in the early summer of 2020. The agreement resulted in a 1% base increase for certified staff and a \$0.25 base increase per hour for classified staff. To assist in maintaining positive labor relations, the Board of Education and the North Union Education Association have continued to meet in a Labor Relations Committee to address concerns and find potential solutions. The District will continue to monitor current settlements around the State and develop a negotiation strategy for the next round of negotiations. The District is constantly evaluating the political climate and success of school districts that attempt to receive additional tax levies. Currently, the District has passed all operational levies.

The District is currently on the November 2020 ballot seeking a renewal of an existing levy. North Union Local School District is very thankful to be in our current financial situation especially in light of the potential financial impact that may be felt by COVID-19. More on that later.

The District transitioned to a different employee benefits consortium, the Stark County Council of Governments, after the prior consortium disbanded in 2012. The District qualified for two rate holidays during fiscal year 2014, fiscal year 2015, and fiscal year 2016. In fiscal year 2017, three (3) rate holidays were approved. These holidays for fiscal year 2017 took place in November 2016, December 2016 and January 2017. In fiscal year 2018, two rate holidays were awarded – December 2017 and January 2018. In fiscal year 2019, three rate holidays were awarded. These took place in November 2018, December 2018, and January 2019. In fiscal year 2020, two rate holidays were awarded. These took place in December 2019 and January 2020. In FY 2021, two additional rate holidays have been awarded. They will take place in December 2020 and January 2021. The consortium also increased health insurance rates by only less than 4%. Rate holidays are now true rate holidays for the employees and the District. Until fiscal year 2019, the rate holidays were a true holiday for the employees and a minor cost (less than \$15,000) for the District due to the way rate holidays are calculated by the Stark County Council of Governments.

Beginning in June 2019, the District embarked on the construction of a 24,504 sq. ft. athletic field house. The building was completed in May 2020. The building has a large multi-sport practice area (13,382 sq. ft.), two locker rooms, a weight room, two classrooms, and other related areas. The facility was paid for by a combination of cash on hand, a \$2,044,000 lease purchase agreement (payments will be made on the lease through the Permanent Improvement Fund), and donations by local community groups, businesses, and individuals. The total cost of the facility was roughly \$3,500,000. The District has continued to maintain all existing facilities to a very high standard. We are thankful for what the taxpayers of North Union have provided to us and we will ensure that we maintain viable facilities for generations. The District plans to continue to set aside funds in the Capital Maintenance Fund to cover costs of key infrastructure repairs/replacements. In fact, in the summer of 2020, the district improved/renovated the High School parking lot. This project cost the district approximately \$300,000.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

In August 2019, the District refunded the existing outstanding bonds that had been refunded in 2012. The District did a direct placement funding solution. Through this process, the District successfully lowered the interest rate on the existing bonds and will end up saving the taxpayers an additional \$175,000.

Finally, an issue continually facing the District, and every other school district in the State of Ohio, is the current economic stability of the State and nation. COVID-19 will greatly impact almost all funding sources the district receives. In May of 2020, the State of Ohio made a mid-year cut to state foundation. This cut has carried forward into FY 2021. In addition, local revenues are being negatively impacted. The most significant reduction has been seen in income tax revenues. Last, investment earnings have seen a dramatic decrease due to near zero rates of return. As always, we are continually monitoring market conditions and foreclosure information. The District will react as needed to any changes that may occur and address them to the best of its ability.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Scott Maruniak, CFO/Treasurer, North Union Local School District, 12920 State Route 739, Richwood, Ohio 43344.

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 14,766,940
Total assets.	\$ 14,766,940
 Net position:	
Restricted for:	
Capital projects	\$ 1,228,348
Classroom facilities maintenance	502,124
Debt service.	517,805
State funded programs.	343,102
Federally funded programs	10,183
Student activities	163,043
Other purposes	228,494
Unrestricted	11,773,841
Total net position.	\$ 14,766,940

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Change in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,796,165	\$ 1,575,820	\$ 44,241	\$ -	\$ (5,176,104)
Special	2,581,391	33,906	949,081	-	(1,598,404)
Vocational	1,015,443	-	161,661	-	(853,782)
Other	7,760	-	-	-	(7,760)
Support services:					
Pupil	1,643,789	-	687,570	-	(956,219)
Instructional staff	630,350	-	21,633	-	(608,717)
Board of education	42,732	-	-	-	(42,732)
Administration	1,450,483	-	10,588	-	(1,439,895)
Fiscal	505,436	89,155	161	-	(416,120)
Operations and maintenance	2,449,004	-	44,729	102,885	(2,301,390)
Pupil transportation	977,469	-	25,656	-	(951,813)
Central	4,603	-	-	-	(4,603)
Operation of non-instructional services:					
Other non-instructional services	115	-	115	-	-
Food service operations	697,381	245,617	325,509	-	(126,255)
Extracurricular activities	617,272	191,443	47,150	-	(378,679)
Facilities acquisition and construction	2,828,589	-	-	-	(2,828,589)
Debt service:					
Principal retirement	532,000	-	-	-	(532,000)
Interest and fiscal charges	202,317	-	-	-	(202,317)
Payment to refunded bond escrow agent	4,380,000	-	-	-	(4,380,000)
Bond issuance costs	38,000	-	-	-	(38,000)
Total governmental activities	\$ 27,400,299	\$ 2,135,941	\$ 2,318,094	\$ 102,885	(22,843,379)
General receipts:					
Property taxes levied for:					
General purposes					5,203,526
Debt service					493,088
Capital outlay					223,901
Classroom facilities maintenance					66,795
Income taxes levied for:					
General purposes					2,138,567
Grants and entitlements not restricted to specific programs					
Investment earnings					7,831,133
Refunding bonds issued					255,043
Premiums on refunding bonds issued					4,375,000
Miscellaneous					47,600
					22,055
Total general receipts					20,656,708
Change in net position					(2,186,671)
Net position at beginning of year (restated)					16,953,611
Net position at end of year					\$ 14,766,940

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 11,773,841	\$ 2,993,099	\$ 14,766,940
Total assets	<u>\$ 11,773,841</u>	<u>\$ 2,993,099</u>	<u>\$ 14,766,940</u>
Fund balances:			
Nonspendable:			
Scholarships	\$ -	\$ 50,000	\$ 50,000
Restricted:			
Debt service	-	517,805	517,805
Capital improvements	-	1,228,348	1,228,348
Classroom facilities maintenance	-	502,124	502,124
Food service operations	-	31,396	31,396
Scholarships	-	147,098	147,098
Special education	-	10,183	10,183
Other purposes.	-	2,332	2,332
Extracurricular activities	-	163,043	163,043
Student wellness	-	340,770	340,770
Assigned:			
Student instruction	181,156	-	181,156
Student and staff support.	495,743	-	495,743
Extracurricular activities	130,585	-	130,585
Facilities acquisition and construction	126,959	-	126,959
Unassigned	<u>10,839,398</u>	<u>-</u>	<u>10,839,398</u>
Total fund balances	<u>\$ 11,773,841</u>	<u>\$ 2,993,099</u>	<u>\$ 14,766,940</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
From local sources:			
Property taxes	\$ 5,203,526	\$ 783,784	\$ 5,987,310
Income taxes	2,138,567	-	2,138,567
Tuition	1,496,677	-	1,496,677
Transportation fees	-	-	-
Earnings on investments	254,168	5,239	259,407
Charges for services	89,155	245,617	334,772
Extracurricular	97,408	191,443	288,851
Contributions and donations	15,641	159,050	174,691
Other local revenues	19,799	5,491	25,290
Intergovernmental - state	8,495,516	546,176	9,041,692
Intergovernmental - federal	132,150	911,621	1,043,771
Total receipts	<u>17,942,607</u>	<u>2,848,421</u>	<u>20,791,028</u>
Disbursements:			
Current:			
Instruction:			
Regular	6,752,148	44,017	6,796,165
Special	2,348,992	232,399	2,581,391
Vocational	1,015,443	-	1,015,443
Other	7,760	-	7,760
Support services:			
Pupil	1,302,080	341,709	1,643,789
Instructional staff	608,127	22,223	630,350
Board of education	42,732	-	42,732
Administration	1,435,440	15,043	1,450,483
Fiscal	492,556	12,880	505,436
Operations and maintenance	2,120,093	328,911	2,449,004
Pupil transportation	977,469	-	977,469
Central	4,603	-	4,603
Operation of non-instructional services:			
Other non-instructional services	-	115	115
Food service operations	-	697,381	697,381
Extracurricular activities	401,574	215,698	617,272
Facilities acquisition and construction	154,530	2,674,059	2,828,589
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	532,000	532,000
Interest and fiscal charges	-	202,317	202,317
Bond issuance costs	-	38,000	38,000
Total disbursements	<u>17,663,547</u>	<u>5,356,752</u>	<u>23,020,299</u>
Excess (deficiency) of receipts over (under) disbursements	<u>279,060</u>	<u>(2,508,331)</u>	<u>(2,229,271)</u>
Other financing sources (uses):			
Premium on bonds sold	-	47,600	47,600
Sale of refunding bonds	-	4,375,000	4,375,000
Transfers in	-	1,000	1,000
Transfers (out)	(1,000)	-	(1,000)
Payment to refunded bond escrow agent	-	(4,380,000)	(4,380,000)
Total other financing sources (uses)	<u>(1,000)</u>	<u>43,600</u>	<u>42,600</u>
Net change in fund balances	278,060	(2,464,731)	(2,186,671)
Fund balances at beginning of year (restated) .	<u>11,495,781</u>	<u>5,457,830</u>	<u>16,953,611</u>
Fund balances at end of year	<u>\$ 11,773,841</u>	<u>\$ 2,993,099</u>	<u>\$ 14,766,940</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts:				
From local sources:				
Property taxes	\$ 5,114,068	\$ 5,203,526	\$ 5,203,526	\$ -
Income taxes.	2,079,588	2,138,567	2,138,567	-
Tuition.	1,412,245	1,476,884	1,496,678	19,794
Earnings on investments	326,376	245,713	254,168	8,455
Charges for services	-	-	89,155	89,155
Other local revenues	58,273	12,799	12,799	-
Intergovernmental - state	8,729,064	8,495,516	8,495,516	-
Intergovernmental - federal	78,012	45,628	132,150	86,522
Total receipts	<u>17,797,626</u>	<u>17,618,633</u>	<u>17,822,559</u>	<u>203,926</u>
Disbursements:				
Current:				
Instruction:				
Regular	8,251,794	8,192,500	7,003,420	1,189,080
Special.	2,356,886	2,800,047	2,386,876	413,171
Vocational.	1,251,406	1,203,290	1,025,734	177,556
Other.	47,907	9,103	7,760	1,343
Support services:				
Pupil.	1,454,619	1,548,217	1,319,764	228,453
Instructional staff	758,573	879,101	749,382	129,719
Board of education	62,564	50,870	43,364	7,506
Administration.	1,573,195	1,735,433	1,479,355	256,078
Fiscal	1,022,099	494,127	510,369	(16,242)
Operations and maintenance.	3,270,947	2,787,595	2,376,261	411,334
Pupil transportation	1,236,180	1,168,109	995,744	172,365
Central.	9,340	5,400	4,603	797
Other operation of non-instructional services	1,023	-	-	-
Extracurricular activities.	381,055	472,191	402,515	69,676
Facilities acquisition and construction	-	330,215	281,489	48,726
Total disbursements	<u>21,677,588</u>	<u>21,676,198</u>	<u>18,586,636</u>	<u>3,089,562</u>
Excess of disbursements over receipts.	<u>(3,879,962)</u>	<u>(4,057,565)</u>	<u>(764,077)</u>	<u>3,293,488</u>
Other financing sources (uses):				
Refund of prior year's expenditures	130,054	200,011	200,011	-
Transfers (out).	(1,060)	(1,000)	(1,000)	-
Sale of capital assets	-	7,000	7,000	-
Total other financing sources (uses)	<u>128,994</u>	<u>206,011</u>	<u>206,011</u>	<u>-</u>
Net change in fund balance	(3,750,968)	(3,851,554)	(558,066)	3,293,488
Unencumbered fund				
balance at beginning of year	10,071,149	10,071,149	10,071,149	-
Prior year encumbrances appropriated	1,326,316	1,326,316	1,326,316	-
Unencumbered fund				
balance at end of year	<u>\$ 7,646,497</u>	<u>\$ 7,545,911</u>	<u>\$ 10,839,399</u>	<u>\$ 3,293,488</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1963. The District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The District is staffed by 84 classified employees, 110 certified teaching personnel, and 15 administrative employees who provide services to 1,531 students and other community members. The District currently operates an elementary school, a middle school, a high school, an administration building, a bus garage and an athletic field house.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

JOINTLY GOVERNED ORGANIZATIONS AND RELATED ORGANIZATION

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2020, the District paid Meta Solutions \$43,538 for services. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Tri-Rivers Career Center

The Tri-Rivers Career Center (CC) is a distinct political subdivision of the State of Ohio which provides vocational education. The CC operates under the direction of a Board consisting of one representative from each of the nine participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from the Tri-Rivers Career Center, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Richwood North Union Public Library

Richwood North Union Public Library, Union County, is a body politic and corporate established in 1915 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by an appointed seven-member non-compensated Board of Trustees appointed by the Board of Education of the North Union Local School District. The Library is fiscally independent of the Board of Education. Financial information can be obtained from Richwood North Union Public Library, 4 East Ottawa Street, Richwood, Ohio 43344.

GROUP PURCHASING POOLS

Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Stark County Schools Council of Governments Health Benefit Plan

The District participates in a public entity shared risk pool, the Stark County Schools Council of Governments Health Benefit Plan (Plan) for employee medical, dental, vision, and life insurance benefits. The Plan is administered by the Stark County Schools Council (SCSC), a regional council of governments established in accordance with Chapter 167 of the Ohio Revised Code. The SCSC is governed by an assembly consisting of one representative from each participant. Each participant pays its premiums to the Plan based on an apportionment of estimated costs established by the SCSC prior to the beginning of each fiscal year. Should estimated program costs be insufficient to pay all claims for the fiscal year, the SCSC notifies each participant of any additional program costs for the fiscal year. Upon withdrawal from the Health Benefit Plan, a participant is entitled to be refunded any excess contributions being held by the Plan.

Participation in the Health Benefit Plan is by written application subject to acceptance by the Board of Directors of the Assembly and payment of the monthly premiums. Financial information can be obtained from the Stark County Educational Service Center, who serves as fiscal agent, 6057 Strip Avenue NW, North Canton, Ohio 44720.

B. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

C. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The District's major governmental fund is:

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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 custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Custodial funds are used to report fiduciary activities that are not required to be reported in trust funds. The District has no fiduciary funds.

D. Basis of Presentation

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

E. Budgets

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

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

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

F. Cash and Investments

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

During fiscal year 2020, investments were limited to negotiable certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District invested in STAR Ohio during fiscal year 2020. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$254,168, which includes \$53,728 assigned from other District funds.

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

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

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Net Cash Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily includes resources restricted for food service operations. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Fund Cash Balance

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

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

L. Interfund Activity

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

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District does not have any restricted assets.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

N. Extraordinary and Special Items

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

O. Pensions/Other Postemployment Benefits (OPEB)

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

P. Fair Value

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position

For fiscal year 2020, the District has implemented GASB Statement No. 84 "*Fiduciary Activities*" and GASB Statement No. 90 "*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds. These fund reclassifications resulted in the restatement of the District's financial statements.

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A fund cash balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019, fund cash balances have been restated as follows:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund cash balance			
previously reported	\$ 11,495,781	\$ 5,181,168	\$ 16,676,949
GASB Statement No. 84	<u>-</u>	<u>276,662</u>	<u>276,662</u>
Restated fund cash balance at June 30, 2019	<u>\$ 11,495,781</u>	<u>\$ 5,457,830</u>	<u>\$ 16,953,611</u>

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities and business-type activities at June 30, 2019 have been restated as follows:

	<u>Governmental Activities</u>
Net cash position	
as previously reported	\$ 16,676,949
GASB Statement No. 84	<u>276,662</u>
Restated net cash position at June 30, 2019	<u>\$ 16,953,611</u>

Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$78,075. Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting private purpose trust funds. At June 30, 2019, agency funds reported assets and net cash position of \$198,587.

B. Compliance

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. 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 items (1) and (2) above 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, the State Treasury Asset Reserve of Ohio (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the 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.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At fiscal year end, the District had \$25 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$1,610,678 and the bank balance of all District deposits was \$1,640,186. Of the bank balance, \$823,405 was covered by the FDIC and \$816,781 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

D. Investments

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

Investment type	Carrying Value	NAV/ Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CD's	\$ 3,018,000	\$ 3,120,106	\$ 221,200	\$ 352,941	\$ 396,365	\$ 1,160,321	\$ 989,279
STAR Ohio	<u>10,138,237</u>	<u>10,138,237</u>	<u>10,138,237</u>	-	-	-	-
Total	<u>\$ 13,156,237</u>	<u>\$ 13,258,343</u>	<u>\$ 10,359,437</u>	<u>\$ 352,941</u>	<u>\$ 396,365</u>	<u>\$ 1,160,321</u>	<u>\$ 989,279</u>

The weighted average maturity of investments is 0.42 years.

Negotiable CD's are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

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

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 3,018,000	22.94
STAR Ohio	<u>10,138,237</u>	<u>77.06</u>
Total	<u>\$ 13,156,237</u>	<u>100.00</u>

E. Reconciliation of Cash to the Statement of Net Position - Cash Basis

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

<u>Cash per note</u>	
Carrying amount of deposits	\$ 1,610,678
Investments	13,156,237
Cash on hand	<u>25</u>
Total	<u>\$ 14,766,940</u>
 <u>Cash per statement of net position - cash basis</u>	
Governmental activities	<u>\$ 14,766,940</u>

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2020, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental fund	\$ 1,000

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

NOTE 6 - PROPERTY TAXES

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

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

Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 212,992,660	93.64	\$ 233,832,490	93.93
Public utility personal	14,478,100	6.36	15,120,210	6.07
Total	\$ 227,470,760	100.00	\$ 248,952,700	100.00
Tax rate per \$1,000 of assessed valuation	\$32.70		\$32.55	

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 7 - INCOME TAX

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 8 - RISK MANAGEMENT

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

Coverage provided by Ohio School Plan is as follows:

General School District Liability

Per Occurrence	\$5,000,000
Total per Year	7,000,000
Automobile Liability	5,000,000
Buildings and Contents - replacement cost	67,834,415

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

For fiscal year 2020, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2020, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The District participates in the Stark County Schools Council of Governments Health Benefit Plan (Plan), a public entity shared risk pool. The District pays monthly premiums to the Plan for employee medical, dental, vision, and life insurance benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$360,450 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,066,718 for fiscal year 2020.

Net Pension Liability

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

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.09183170%	0.06381863%	
Proportion of the net pension liability current measurement date	<u>0.08431930%</u>	<u>0.06286925%</u>	
Change in proportionate share	<u>-0.00751240%</u>	<u>-0.00094938%</u>	
Proportionate share of the net pension liability	\$ 5,044,972	\$ 13,903,157	\$ 18,948,129

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2019, are presented below:

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 7,069,809	\$ 5,044,972	\$ 3,346,892

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 20,317,915	\$ 13,903,157	\$ 8,472,736

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$50,229.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$50,229 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Net OPEB Liability/Asset

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

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.09214580%	0.06381863%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.08593620%</u>	<u>0.06286925%</u>	
Change in proportionate share	<u>-0.00620960%</u>	<u>-0.00094938%</u>	
Proportionate share of the net OPEB liability	\$ 2,161,115	\$ -	\$ 2,161,115
Proportionate share of the net OPEB asset	\$ -	\$ (1,041,265)	\$ (1,041,265)

Actuarial Assumptions - SERS

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 2,623,183	\$ 2,161,115

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 1,731,491	\$ 2,161,115

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 888,513	\$ 1,041,265

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 1,180,747	\$ 1,041,265

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred eighty days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit up to a maximum of fifty days for all employees. Employees who have accumulated more than one hundred twenty days of sick leave may, at retirement, be granted up to an additional five days of sick leave payment dependent on their years of service with the District.

B. Employee Insurance Benefits

The District offers medical, dental, vision, and life insurance to most employees through the Stark County Schools Council of Governments Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

C. Separation Benefits

The District offers a separation benefit in addition to regular severance benefits and STRS pension benefits to certified employees who notify the District of their retirement by July 9th of that year and they meet one of the following conditions:

Criteria	Cash Benefit
55 or older and 25 years of service or 30 years of service	\$5,000
55 or older and 26 years of service or 31 years of service	\$3,000
55 or older and 27 years of service or 32 years of service	\$1,000

At June 30, 2020, the District did not have any liability for separation benefits.

NOTE 12 - LONG-TERM OBLIGATIONS

During fiscal year 2020, the following changes occurred in the District's long-term obligations:

	Balance Outstanding 06/30/19	Additions	Reductions	Balance Outstanding 06/30/20	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
Series 2012 Refunding Bonds					
Serial Bonds, 1.5% - 3%	\$ 4,810,000	\$ -	\$ (4,810,000)	\$ -	\$ -
Series 2019 Refunding Bonds					
Serial Bonds, 2.20%	-	4,375,000	-	4,375,000	490,000
Lease Purchase Agreement	2,044,000	-	(102,000)	1,942,000	74,000
Total governmental activities	\$ 6,854,000	\$ 4,375,000	\$ (4,912,000)	\$ 6,317,000	\$ 564,000

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Series 2012 Refunding General Obligation Bonds

On April 25, 2012, the District issued bonds, in the amount of \$8,595,000, to partially refund bonds previously issued in fiscal year 2003 for constructing and renovating the District's buildings. The refunding bond issue consists of serial bonds, in the amount of \$8,595,000. The bonds were issued for a seventeen year period, with final maturity in fiscal year 2029. The bonds are being repaid from the bond retirement debt service fund (a nonmajor governmental fund). These bonds were refunded by the Series 2019 Refunding Bonds. At June 30, 2020, there were no further obligations outstanding.

Series 2019 Refunding General Obligation Bonds

On September 17, 2019, the District issued bonds, in the amount of \$4,375,000, to partially refund bonds previously issued in fiscal year 2012 for constructing and renovating the District's buildings. This bond issuance is considered a direct borrowing. Direct borrowings have terms negotiated directly between the City and the lender and are not offered for public sale. The refunding bond issue consists of serial bonds, in the amount of \$4,375,000. The bonds were issued for a ten year period, with final maturity in fiscal year 2028. The bonds are being repaid from the bond retirement debt service fund (a nonmajor governmental fund).

The scheduled payments of principal and interest on general obligation bonds outstanding at June 30, 2020 are as follows:

Fiscal Year <u>Ending June 30.</u>	General Obligation		
	<u>Serial Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 490,000	\$ 90,860	\$ 580,860
2022	520,000	79,750	599,750
2023	530,000	68,200	598,200
2024	540,000	56,430	596,430
2025	555,000	44,385	599,385
2026 - 2028	<u>1,740,000</u>	<u>57,860</u>	<u>1,797,860</u>
Total	<u>\$ 4,375,000</u>	<u>\$ 397,485</u>	<u>\$ 4,772,485</u>

Lease Purchase Agreement

On May 14, 2019, the District entered into a lease purchase agreement with Sterling National Bank for \$2,044,000 to assist in financing the construction, furnishing, and equipping of an athletic field house. The lease purchase agreement bears an interest rate of 3.39%. Interest payments on the lease purchase agreement are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2038. This lease purchase agreement is considered a direct borrowing. Direct borrowings have terms negotiated directly between the City and the lender and are not offered for public sale. The lease purchase agreement will be retired through the permanent improvement fund (a nonmajor governmental fund).

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The scheduled payments of principal and interest on the lease purchase agreement at June 30, 2020 are as follows:

Fiscal Year Ending June 30,	Lease Purchase Agreement		
	Principal	Interest	Total
2021	\$ 74,000	\$ 64,580	\$ 138,580
2022	77,000	62,020	139,020
2023	80,000	59,359	139,359
2024	82,000	56,613	138,613
2025	85,000	53,782	138,782
2026 - 2030	471,000	222,876	693,876
2031 - 2035	556,000	136,040	692,040
2036 - 2039	517,000	35,781	552,781
Total	<u>\$ 1,942,000</u>	<u>\$ 691,051</u>	<u>\$ 2,633,051</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$18,548,548 (including available funds of \$517,805) and an unvoted debt margin of \$248,953.

NOTE 13 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	272,655
Current year offsets	<u>(368,442)</u>
Total	<u>\$ (95,787)</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DONOR RESTRICTED ENDOWMENTS

The District's special revenue funds include donor restricted endowments. Endowments, in the amount of \$50,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$147,098 and is included as "restricted for scholarships". State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

NOTE 15 - BUDGET BASIS OF ACCOUNTING

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

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund balance (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ (558,066)
Funds budgeted elsewhere	31,328
Adjustment for encumbrances	<u>804,798</u>
CashP basis	<u>\$ 278,060</u>

NOTE 16 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 818,393
Nonmajor governmental	<u>446,205</u>
Total	<u>\$ 1,264,598</u>

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 17 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2020, if applicable, cannot be determined at this time.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2019-2020 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2020 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

D. COVID-19

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

NOTE 18 - TAX ABATEMENTS

The Village of Richwood has entered into a tax abatement agreement with Richwood Bank for the abatement of real property taxes. Under the agreement established by Ohio Revised Code (ORC) 5709.632 and 3735.65 through 3735.70, the business agrees to bring jobs and economic development into the Village in exchange for forgone property tax receipts. Under the agreement, the District's property tax receipts were abated by \$5,526. The District received \$5,526 from the business in association with the forgone tax receipts.