Southern Ohio Agricultural and Community Development Foundation
Regular Audit
For the Year Ended June 30, 2019

Millhuff-Stang

CERTIFIED PUBLIC ACCOUNTANT

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KEITH FABER

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Board of Trustees
Southern Ohio Agricultural and Community Development Foundation
100 South High Street
P. O. Box 47
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Agricultural and Community Development Foundation, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southern Ohio Agricultural and Community Development Foundation is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

October 23, 2019

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Independent Auditor's Report

Southern Ohio Agricultural and Community Development Foundation
100 South High Street, PO Box 47
Hillsboro, Ohio 45133

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Southern Ohio Agricultural and Community Development Foundation, (the Foundation), a department of the State of Ohio, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Southern Ohio Agricultural and Community Development Foundation, State of Ohio, as of June 30, 2019, and the respective

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changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, the financial statements of the Foundation present the financial position and changes in financial position thereof for the governmental activities and the special revenue fund of only the transactions of the Southern Ohio Agricultural and Community Development Foundation. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2019, or the changes to its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and net OPEB liability, and the schedule of employer contributions on pages 3 through 8, and 33 through 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Millhuff-Stang CPA/Inc.

Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

September 26, 2019

As management of the Southern Ohio Agricultural & Community Development Foundation (the Foundation), we are providing this overview of the Foundation's financial activities for the fiscal year ended June 30, 2019. Please read the overview in conjunction with the Foundation's basic financial statements, which follow.

The Foundation is included within the State of Ohio's Comprehensive Annual Financial Report as part of the primary government. The Foundation uses a governmental fund to report its financial position and results of operations. We believe these financial statements present all activities for which the Foundation is financially responsible.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The assets and deferred outflows of resources of the Foundation exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately $2.1 million (net position). Of this amount, approximately $1.9 million may be used in the Foundation's programs to voluntarily diversify from tobacco production.
- The Foundation's total net position decreased by approximately $2.0 million during the fiscal year.
- The Foundation continued its grant programs and disbursed approximately $1.8 million in grants to Southern Ohio farmers and businesses. Grants were awarded for: Agricultural Development; Educational Assistance; Economic Development; Young Farmer; Educational Excellence; Youth Development; and Agricultural Societies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. These basic financial statements are comprised of two components: 1) combined government-wide and fund financial statements, and 2) notes to the financial statements. For most governmental entities, the government-wide and fund financial statements are presented separately; however, since the Foundation is comprised of only one governmental fund, we are presenting both types of financial statements on one combined set of financial statements, as described below:

- ***Governmental Fund Balance Sheet/Statement of Net Position***

  The column labeled "Special Revenue Fund" presents information on the Foundation's assets, liabilities, deferred inflows of resources, and fund balance using the modified-accrual basis of accounting. The fund is an accounting device that the State of Ohio uses to keep track of specific sources of funding and spending for particular purposes. The fund balance may serve as a useful measure of the Foundation's net resources available for spending at the end of the fiscal year.

  The column labeled "Statement of Net Position" presents information on the Foundation's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as *net position*. Such information is presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

- ***Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities***

  The column labeled "Special Revenue Fund" presents information on near-term inflows, outflows, and balances of expendable resources. Such information is presented on the modified-accrual basis of accounting.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The column labeled "Statement of Activities" presents information showing how the Foundation's net position changed during the most recent fiscal year. Such information is presented on the accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Because the focus of fund financial statements is narrower than that of government-wide financial statements, it is useful to compare the information presented on a fund basis with similar information presented on a government-wide basis. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The combined government-wide and fund financial statements include a reconciliation to facilitate this comparison (see column labeled "Adjustments").

FINANCIAL ANALYSIS OF THE FOUNDATION

The following is a summary of the Foundation's net position as of June 30, 2019 compared to June 30, 2018.

Net Position at June 30

	2019	2018	% Change
Assets			
Current and Other Assets	$ 2,628,161	$ 4,596,814	-42.83%
Capital Assets, Net	4,209	8,211	-48.74%
Total Assets	2,632,370	4,605,025	
Deferred Outflow of Resources	104,615	49,717	110.42%
Liabilities			
Other Liabilities	55,527	22,945	142.00%
Long-Term Liabilities	561,805	409,361	37.24%
Total Liabilities	617,332	432,306	
Deferred Inflow of Resources	43,194	105,167	-58.93%
Net Position			
Net Investment in Capital Assets	4,209	8,211	-48.74%
Restricted for Indemnification Program	163,312	163,312	0.00%
Unrestricted Net Position	1,908,938	3,945,746	-51.62%
	$ 2,076,459	$ 4,117,269	

The Foundation received no funding during the fiscal year. The significant decrease in Current and Other Assets and Unrestricted Net Position primarily represents the amount by which current year administrative and grant expenses exceeded investment income.

The significant fluctuations in Deferred Outflows of Resources, Long-Term Liabilities, and Deferred Inflows of Resources are the result of a increase in the Foundation's net pension and OPEB liabilities, as reported by the pension system.

FINANCIAL ANALYSIS OF THE FOUNDATION (Continued)

The following is a summary of the Foundation's Statement of Activities for the year ending June 30, 2019 compared to the year ending June 30, 2018.

Statement of Activity for the year ending June 30

	2019	2018	% Change
Revenues			
Investment Income	$ 92,158	$ 84,803	8.7%
Settlement Income	64,538	796	8007.8%
Other Income	1,475	4,717	-68.7%
Total Revenues	158,171	90,316	
Expenses			
Salaries and Benefits	291,494	262,727	10.9%
Purchased Services	90,919	84,469	7.6%
Materials, Supplies, and Other	38,601	39,376	-2.0%
Depreciation	4,002	7,596	-47.3%
Grants	1,773,965	2,550,254	-30.4%
Total Expenses	2,198,981	2,944,422	
Change in Net Position	(2,040,810)	(2,854,106)	28.5%
Net Position at Beginning of Year	4,117,269	6,971,375	
Net Position at End of Year	$ 2,076,459	$ 4,117,269	

Revenues
Settlement Income increased significantly in comparison with the prior fiscal year. This increase is the result of a payoff received for a judgement against Repurpose, LLC.

Expenses
Salaries and Benefits expense increased significantly in comparison with the prior fiscal year. This increase is the result of an increase in pension expense, as reported by the pension systems.

Grants expense decreased significantly in comparison with the prior fiscal year. This decrease is the result of a decrease in cash and investments available for programs.

BUDGET VARIANCES

The majority of the Foundation's assets are maintained in unappropriated accounts requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in a governmental fund within the Ohio Administrative Knowledge System (OAKS), OAKS Fund 5M90. Although appropriated, OAKS Fund 5M90 is not a major fund, and therefore, budgetary reporting is not required.

CAPITAL ASSETS

The following is a summary of the Foundation's net capital assets at the end of fiscal year 2019, compared to the end of fiscal year 2018:

	2019	2018
Vehicles	$ 3,798	$ 7,594
Equipment	411	617
Total Capital Assets, Net	$ 4,209	$ 8,211

The Foundation's Total Capital Assets (net) decreased by $4,002 during the fiscal year. This decrease represents current year depreciation. See Note 5 of the notes to the financial statements.

ECONOMIC FACTORS

The Foundation continues to believe in its mission: "To help create and enhance economic opportunities for Ohio's burley tobacco farm families and their rural communities. Monies not used for administrative expenses and programs will be available for new programs as they are developed and are approved by the Board, or for investment."

For fiscal year 2019 the Foundation's Board approved the following grant programs for farmers and rural communities in 22 southern counties of Ohio:

- **Educational Assistance:** The Foundation's Educational Assistance Program assists farmers who live within the communities that suffered the economic impact of reductions in tobacco quota. The Educational Assistance program is an investment in Appalachian Ohio that will pay dividends well into the future. These grants are to be awarded on a competitive basis based on essay questions, community and school activities and a minimum 2.0 cumulative college g.p.a. unless they are incoming freshmen. Award recipients are to apply their assistance toward tuition, on campus room and board and lab fees for in-state or out-of-state accredited institutions of higher education. For the 2018-2019 academic year, the Foundation Educational Assistance Program provides up to $2,000 for undergraduate or graduate degree programs. The actual amount awarded to an individual may not exceed the calculated need determined by the educational institution. The total assistance provided to any family may not exceed $10,000 per academic year. In addition, a $12,000 lifetime maximum per individual was put into effect in fiscal year 2013. The Foundation budgeted $250,000 for Educational Assistance in fiscal year 2019.

- **Educational Excellence Competitive Grant:** The Educational Excellence Competitive program was offered to eligible recipients for the purpose of making investments in the future in communities that were affected by the reduction in the demand for tobacco by providing education and training. Individuals who have a current Farm Service Number on record with the Farm Service Agency and reside in the 22 counties the Foundation serves or tobacco quota owners, quota owners/growers, or grower/tenants of Farm Service Agency record in any single crop year from 1997 through 2004, and their immediate family dependents, that are enrolled at an accredited institution and are seeking a Bachelor degree are eligible. Applicants must be enrolled as a full-time sophomore, junior or senior in the 2019-2020 school year to be eligible. These grants are to be awarded on a competitive basis based on essay questions, interview, community and school activities and a 2.8 cumulative college g.p.a. Applicants may only receive the Foundation's Educational Excellence Competitive Grant one time. The Foundation budgeted $100,000 for Educational Excellence Competitive Grant in fiscal year 2019.

ECONOMIC FACTORS (Continued)

- **Agricultural Development:** The Agricultural Development program is offered to eligible applicants for the purpose of assisting farmers in diversifying from tobacco into non-tobacco areas, including; expansion of an existing agricultural enterprise, diversification into a new agricultural enterprise, commercial agribusiness, and marketing/processing of value added agriculture. Applicants who received grant awards for Agriculture Development in fiscal year 2017 or 2018 are ineligible. Approved applicants are eligible for up to $25,000. 1st time recipients are eligible for up to 50% reimbursement, 2nd time up to 40% and 3rd time up to 30%. The Foundation will require a minimum ownership retention period of two years from date of purchase for all goods, products, or equipment obtained with grant funds. The Foundation budgeted program allocation for the Agricultural Development Program was $400,000.

- **Young Farmer Program:** The Young Farmer Program is offered to eligible producers in the 22 counties that the Foundation serves. Applicants must be 20-38 years of age as of August 1, 2018. Applicants must reside and the project must be located within the 22 counties that the Foundation serves. Copy of Ohio Driver's license is required to confirm age and residency. Approved applicants are eligible for up to 50% reimbursement with a $25,000 maximum grant payment. Awards are based on the highest scoring business plans and personal interviews. Project criteria for Young Farmer Program are similar to the Agricultural Development Program. The Foundation budgeted program allocation for the Young Farmer Program was $400,000.

- **Economic Development Program:** The Economic Development Program is offered to eligible recipients for the purpose of making strategic investments in communities that were affected by the reduction in the demand for tobacco. A total of $450,000 was allocated by the Foundation for these projects during fiscal year 2019. Total funds allocated are for the following major counties of Adams, Brown, Clermont, Gallia, Highland, Jackson, Lawrence, Pike and Scioto. There will be 3 competitive rounds. Any funds not used in one round will rollover to the next round. There is a maximum of $200,000 any one applicant may apply for in fiscal year 2019. No major county may receive more than $200,000 in fiscal year 2019. The requirements for this grant are as follows: Eligible applicants are political sub-divisions; public non-profits including Port Authorities and Community Improvement Corporations; private sector businesses/industries with job creation/retention as a component of the project; and colleges and universities when projects are private sector driven. Eligibility guidelines are as follows: To be eligible for the grant an applicant must meet the Board approved PROJECT GRANT GUIDELINES. The Foundation will provide grants for up to a maximum of 35% of a total project cost for projects based upon job creation or retention for residents in the traditional tobacco producing counties of Southern Ohio not to exceed the availability of remaining funds. Private sector applicants may only receive the Economic Development Grant twice. A maximum of up to $10,000 will be awarded for each year-round full-time job created, defined as a minimum of 32 hours per week. No credit will be given for part time (less than 32 hours per week), seasonal, or indirect job creation. A maximum of up to $10,000 for each full-time job truly retained and it is the applicant's responsibility to prove true job retention. It is the goal of the Foundation to improve the economic base of communities and families by attracting companies with higher paying jobs. Foundation funds may be used for capital improvements, fixed assets or land acquisitions where the end purpose is for manufacturing, distribution, warehousing or health care.

- **Youth Development Program:** The Youth Development Program is designed for the purpose of investing in youth and rural communities. This program is offered to Canters Cave 4-H Camp that serves the nine major counties the Foundation serves as well as surrounding counties. This program is specifically designed for the purpose of remodel or upgrade of current facilities and the construction of new structures. In FY19, SOACDF has currently issued $125,000 to the Youth Development recipient to help with permanent improvements.

- **Agricultural Society Grant:** The Agricultural Society Program is designed for the purpose of investing in agriculture, youth development and local communities. This program was offered to the nine major counties the Foundation serves to help invest in the long-term education of youth and those involved with agriculture and youth development. In FY 19, SOACDF has currently issued $100,000 to county agricultural societies to help with permanent improvements to county fairgrounds.

ECONOMIC FACTORS (Continued)

Investments – The Board's investment policy was updated in January 2019. The Board, in concert with recommendations from its investment manager Clearstead, has concentrated on more conservative, lower risk fixed income investments. In total, approximately $2.1 million is in the investment portfolio.

Future Funding – Over ten years ago the State of Ohio securitized its future income stream from the Tobacco Master Settlement Agreement for one-time monies. This prematurely ended funding to the Foundation and created critical sustainability issues.

CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of the Foundation's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Don Branson, Executive Director, Southern Ohio Agricultural & Community Development Foundation, 100 South High St., PO Box 47, Hillsboro, Ohio 45133.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION
As of June 30, 2019

	Special Revenue Fund	Adjustments (See Note 12)	Statement of Net Position
Assets:			
Cash	$ 455,299	$ —	$ 455,299
Investments	2,115,319	—	2,115,319
Interest Receivable	11,455	—	11,455
Collateral on Lent Securities	42,944	—	42,944
Capital Assets, net of accumulated depreciation	—	4,209	4,209
Amount on Deposit for Compensated Absences	3,144	—	3,144
Total Assets	2,628,161	4,209	2,632,370
Deferred Outflows of Resources:			
Pension	—	92,182	92,182
OPEB	—	12,433	12,433
Total Deferred Outflows of Resources	—	104,615	104,615
Liabilities:			
Accounts Payable	2,246	—	2,246
Accrued Liabilities	10,337	—	10,337
Obligations under Lent Securities	42,944	—	42,944
Long-Term Liabilities:			
Due in one year:			
Compensated Absences	—	16,327	16,327
Due in more than one year:			
Net Pension Liability	—	357,413	357,413
Net OPEB Liability	—	158,538	158,538
Compensated Absences	—	29,527	29,527
Total Liabilities	55,527	561,805	617,332
Deferred Inflows of Resources:			
Unavailable Revenue	3,431	(3,431)	—
Pension	—	28,414	28,414
OPEB	—	14,780	14,780
Total Deferred Inflows of Resources	3,431	39,763	43,194
Fund Balance/Net Position:			
Restricted - Community and Economic Development	163,312	(163,312)	—
Committed - Community and Economic Development	2,405,891	(2,405,891)	—
Total Fund Balance	2,569,203	(2,569,203)	—
Total Liabilities and Fund Balance	$ 2,628,161		
Net Position:			
Net Investment in Capital Assets		4,209	4,209
Restricted - Community and Economic Development		163,312	163,312
Unrestricted		1,908,938	1,908,938
Total Net Position		$ 2,076,459	$ 2,076,459

The notes to the financial statements are an integral part of this statement.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE / STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Special Revenue Fund	Adjustments (See Note 12)	Statement of Activities
Revenues:			
Investment Income	$ 101,330	$ (9,172)	$ 92,158
Settlement Income	64,538	—	64,538
Other Income	1,475	—	1,475
Total Revenues	167,343	(9,172)	158,171
Expenditures/Expenses:			
Current:			
Salaries and Benefits	255,921	35,573	291,494
Purchased Services	90,919	—	90,919
Materials, Supplies, and Other	38,601	—	38,601
Depreciation	—	4,002	4,002
Grants	1,773,965	—	1,773,965
Total Expenditures/Expenses	2,159,406	39,575	2,198,981
Excess of Revenues Under Expenditures	(1,992,063)	1,992,063	—
Change in Net Position	—	(2,040,810)	(2,040,810)
Fund Balance/Net Position:			
Beginning of the year	4,561,266	(443,997)	4,117,269
End of the year	$ 2,569,203	$ (492,744)	$ 2,076,459

The notes to the financial statements are an integral part of this statement.

1. DESCRIPTION OF THE REPORTING ENTITY

Introduction

The Southern Ohio Agricultural and Community Development Foundation (the Foundation) was created by amended Senate Bill No. 192, effective June 2000, to "...endeavor to replace the production of tobacco in southern Ohio with the production of other agricultural products and to mitigate the adverse economic impact of reduced tobacco production in the region by preparing, implementing, and keeping current a plan to develop means for tobacco growers to grow other agricultural products voluntarily..." The Bill further describes a variety of means by which the Foundation is to develop its plan and carry out its charge.

Pursuant to its legislative mandate, the Foundation's Board is created in Ohio Rev. Code Section 183.12 and is enabled through Ohio Rev. Code Sections 183.11 to 183.17, inclusive. The Foundation's Board is composed of twelve voting members and four nonvoting members as set forth in Section 183.12 of the Ohio Rev. Code. Voting members include six active farmers and two persons with community development experience, all from Ohio's major tobacco growing counties, and four state officials sitting ex officio.

Method of Operation

The Foundation shall make grants or loans to individuals, public agencies, or privately owned companies to carry out the plan. The Foundation shall also adopt rules under Chapter 119 of the Ohio Rev. Code regarding conflicts of interest in the making of grants or loans.

Upon inception of the Foundation, a separate endowment fund was created in the custody of the Treasurer of State, but not part of the State Treasury, to carry out the duties of the Foundation. The Foundation was the trustee of the endowment fund. Disbursements from the fund were paid by the Treasurer of State only upon instruments duly authorized by the Board of Trustees of the Foundation or its designee.

The endowment fund was responsible for covering administrative expenditures such as staff salaries, equipment purchases, rental payments and program expenses. As a result of the legislation defining the Foundation's employees as state employees, the State established an appropriation to provide payroll for the Foundation, which is reimbursed by the Foundation's endowment fund.

At the request of the Foundation, the Treasurer of State shall select and contract with one or more investment managers to invest all money credited to the fund that is not currently needed for carrying out the functions of the Foundation. The eligible list of investments, as well as limitations and other requirements shall be the same as for the Public Employees Retirement System under Section 145.11 of the Revised Code.

Reporting Entity

Within the State of Ohio's Comprehensive Annual Financial Report, the Southern Ohio Agricultural and Community Development Foundation is included as part of the primary government. The Foundation's management believes these financial statements present all activities for which the Foundation is financially responsible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Southern Ohio Agricultural and Community Development Foundation present the financial position and results of operations of the Foundation. The financial statements conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) documents these principles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation follows GASB Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*." Under GASB Statement No. 34 the financial statements include separate Statement of Net Position and Statement of Activities columns reporting the financial activities using the accrual basis of accounting, in addition to the Governmental Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance columns reporting the financial activities using the modified accrual basis of accounting. The Foundation's other significant accounting policies are as follows.

A. Fund Accounting

The Foundation uses a governmental fund to report its financial position and results of operations. The fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The fund is established to account for all activity of the Foundation.

B. Measurement Focus and Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and certain deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenditures) in net current assets, and unassigned fund balance is a measure of available expendable resources. This measurement focus has been applied to the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance columns on the accompanying financial statements.

The "Statement of Net Position" and "Statement of Activities" columns on the accompanying financial statements have been prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. The financial statements therefore present an adjustment column to identify reconciling items to arrive at the "Statement of Net Position" and the "Statement of Activities" columns.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance columns on the accompanying financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, the Foundation recognizes revenues when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction is determinable, and "available" means the amount is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Foundation considers revenues as available when collected within 60 days after year-end.

Under the modified accrual basis, expenditures are recorded when related fund liabilities are incurred, which are recognized as expenditures when due. Significant revenue sources susceptible to accrual under the modified accrual basis of accounting may include interest income.

The "Statement of Net Position" and the "Statement of Activities" columns on the accompanying financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, expenses are recorded at the time they are incurred and revenues are recognized when measurable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

The majority of the Foundation's assets are maintained in unappropriated accounts requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in a governmental fund within the Ohio Administrative Knowledge System (OAKS), OAKS Funds 5M90. Although appropriated, OAKS Fund 5M90 is not a major fund, and therefore, budgetary reporting is not required.

E. Cash

Cash of the Foundation includes amounts held in a custodial account with the Treasurer of State, OAKS Fund 5M90 and petty cash.

F. Investments

Investments of the Foundation are reported at fair value. Fair value is the price that would be received in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. If quoted market price is available for an investment, the fair value to be used is the total number of trading units of the instrument times the market price per unit.

Ohio Revised Code Section 183.16 restricts the types of investments the Foundation may purchase to those types of investments permitted for the public employees retirement system under section 145.11 of the Ohio Revised Code. All investments shall be subject to the same limitations and requirements as the retirement system under that section and Sections 145.112 and 145.113 of the Ohio Revised Code.

During fiscal year 2019, the Foundation invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transactions to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

G. Securities Lending Transactions

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transaction*s, requires disclosure of assets and liabilities arising from securities lending transactions. The Foundation's investments with the State's cash and investment pool are subject to lending transactions by the Treasurer of State. In accordance with paragraph 9 of GASB Statement No. 28, the Foundation's recording of assets and liabilities for securities lending transactions is based on their share of the cash and investment pool, as of the balance sheet date, as calculated by the Office of Budget and Management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation

It is the Foundation's policy to capitalize all assets with an initial cost of $1,000 or more. Capital assets are reported in the "Statement of Net Position" column, but are not reported in the "Balance Sheet" column on the accompanying Governmental Fund Balance Sheet/Statement of Net Position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

All reported capital assets of the Foundation are depreciated. Depreciation is computed using the straight-line method of depreciation over the applicable useful life of the asset and commences the year after the asset is purchased. The useful life for each asset category noted in Note 5 is 5 years.

I. Revenues and Receivables

The Foundation recognizes realized and unrealized gains and losses, as well as interest and dividend income, from investments with STAR Ohio and Boyd Watterson. The net of these gains and losses and interest and dividend income is reported as investment income on the Foundation's Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities. In fiscal year 2019, the Foundation's investment income was $92,158.

The Foundation records Interest Receivable on fixed income securities.

J. Administrative Expenditures and Accounts Payable

Administrative expenditures include operating and overhead items such as salaries and benefits, equipment purchases, and other miscellaneous expenditures.

K. Self-Insurance and Accrued Liabilities

The State of Ohio serves as the Foundation's primary government and is self-insured for claims covered under its traditional healthcare, vehicle liability, public fidelity blanket bonds, property losses, and tort liability insurance plans. Additionally, the State of Ohio participates in a public entity risk pool that covers liabilities associated with claims submitted to the Bureau of Workers' Compensation.

The Foundation's share of the self-insurance plans' net surplus is reported as Cash.

L. Compensated Absences

The State of Ohio, which governs employee leave benefits and policies, pays compensation to separated employees for sick, vacation, and personal leave balances accumulated during the employee's term of service. The Foundation's compensated absences liability is calculated and reported in accordance with the guidance set forth in GASB Statement No. 16, *Accounting for Compensated Absences*.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Foundation, deferred outflows of resources are reported on the statement of net position for pension and OPEB (see Notes 7 and 8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Foundation, deferred inflows of resources include unavailable revenue, pension, and OPEB. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the availability period. For the Foundation, unavailable revenue includes interest income. This amount is deferred and recognized as an inflow of resources in the period the amount become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (See Notes 7 and 8).

N. Fund Balance/Net Position

In accordance with GASB Statement No. 54, *Fund Balance Reporting*, the Foundation classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The Foundation may use the following categories:

Nonspendable – resources that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

Restricted – resources with constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources with constraints imposed by formal action (House or Senate Bill) of the Foundation's highest level of decision making authority (State Legislature/Controlling Board).

Assigned – resources that are constrained by the Foundation's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the Foundation Board itself; or (b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes. The Foundation has not adopted a policy delegating the authority to assign amounts to be used for specific purposes.

In accordance with GASB Statements No. 34 and No. 46, net position will be reported as unrestricted, except for the amount restricted for indemnification payments. The Foundation applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position/fund balance is available. The Foundation considers committed and assigned balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

O. Pensions/Other Postemployment Benefits (OPEB)

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

3. DEPOSITS AND INVESTMENTS

Deposits - At fiscal year end, the carrying amount of the Foundation's deposits was $458,443 and the bank balance was the same. Of the bank balance, $132,620 was held on deposit by the State of Ohio and $325,652 was maintained in a custodial account held by the Treasurer of State. In addition to these deposits, the Foundation maintained a petty cash account totaling $171.

***Investments* -** At fiscal year end, the fair values of investments were as follows:

Investment Type		Fair Value
U.S. Government Obligations	$	1,006,576
Corporate Bonds and Notes		732,756
Money Market Funds		339,798
STAR Ohio		36,189
Total Investments	$	2,115,319

The Foundation 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. All of the Foundation's investments are valued using Level 2 inputs.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, the Foundation will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. At June 30, 2019, the Foundation's deposits and investments, including the collateral on lent securities, had no exposure to custodial credit risk. The Foundation does not have a policy to limit custodial credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates between the U.S. Dollar and foreign currencies could adversely affect an investment's fair value. Pursuant to the Foundation's investment policy, investment managers are prohibited from purchasing foreign securities, with the exception of American Depository Receipts. The Foundation had no exposure to foreign currency risk at fiscal year-end.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Pursuant to the Foundation's investment policy, domestic fixed income investment managers must adhere to the following guidelines: (1) mortgage-backed and asset-backed securities not issued by an agency of the Federal Government must be rated A or better by a Nationally Recognized Statistical Rating Organization (NRSRO); (2) the average quality rating of the fixed income portfolio shall be AA or better by a NRSRO; and (3) only corporate debt issues that hold a rating in one of the four highest classifications by a NRSRO may be purchased.

3. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the Foundation's exposure to credit risk was as follows:

Quality Rating	STAR Ohio	Corporate Bonds/Notes	Federal Government Obligations	Money Market Funds	Total
AAA	$ 36,189	$ 19,957	$ 1,006,576	$ 339,798	$ 1,402,520
AA	-	70,367	-	-	70,367
A	-	301,707	-	-	301,707
BBB	-	340,725	-	-	340,725
Total	$ 36,189	$ 732,756	$ 1,006,576	$ 339,798	$ 2,115,319

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The Foundation does not have a policy to limit interest rate risk.

The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of the Foundation's fixed income assets at fiscal year-end.

Investment Type	Investment Maturities Less than 1 year	Total Fair Value
U.S. Government Obligations	$ 1,006,576	$ 1,006,576
Corporate Bonds and Notes	732,756	732,756
STAR Ohio	36,189	36,189
Money Market Funds	339,798	339,798
Total Investments	$ 2,115,319	$ 2,115,319

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. Investment managers are expected to maintain diversified portfolios by sector and issuer. Pursuant to the Foundation's investment policy, investment managers can invest no more than five percent of the total market value of the domestic equity portfolio in any single company and no more than five percent of the total market value of the fixed income portfolio in the securities of any one issuer, other than direct issues of the U.S. Treasury, U.S. Government Agencies or Instrumentalities including Mortgage Backed Securities and their derivative products.

At fiscal year-end, the Foundation's portfolio was not exposed to concentration of credit risk as the Foundation did not invest more than five percent in any one issuer.

4. SECURITIES LENDING TRANSACTIONS

The Foundation, through the Treasurer of State's Investment Department, participates in a securities lending program for securities included in the "Equity in State of Ohio common cash and investments". The State's lending programs authorized under Sections 135.143, 135.45 and 135.47, Ohio Revised Code, are administered by custodial agent banks, whereby certain securities are transferred to independent broker-dealers (borrowers) in exchange for collateral. The Foundation has minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the lent securities are collateralized at no less than 102 percent of the market value at the time of the loan. At no point in time can the value of the collateral be less than 100 percent of the value of the underlying securities on loan. The market value of loaned securities shall not represent more than fifty percent (50%) of the Total Average Portfolio (TAP). TAP excludes all certificates of deposit and is equal to the numerical average of the five highest end-of-business day balances, based on market value, within the 12-month period immediately preceding the calculation date.

During the fiscal year, the State Treasurer lent Corporate Bonds and Notes and U.S. government and agency obligations. The Foundation cannot sell securities received as collateral unless the borrower defaults. At fiscal year-end, the collateral the Foundation had received for securities lent consisted entirely of cash. For State funds, the State Treasurer invests cash collateral in short-term obligations. At fiscal year-end, the weighted average maturity of all loans was 5.54 days while the weighted maturity of all collateral was 25.85 days.

For State funds, the securities lending agent shall indemnify the Treasurer of State for any losses resulting from the insolvency default of the lending counterparty. There were no recoveries during the fiscal year due to prior-period losses.

For the State funds lending program, since the lender owes the borrower more than the borrower owes the lender, there is no credit risk to the lender as of fiscal year-end. The State's Office of Budget and Management allocates the State's pooled cash collateral to various funds within the State's Accounting System (OAKS) based on cash balances at fiscal year-end. The Foundation's Allocated Collateral on Lent Securities and related Allocated Obligations Under Securities Lending as of fiscal year-end was $42,944.

5. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

Asset Category	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 23,111	$ -	$ -	$ 23,111
Vehicles	18,983	-	-	18,983
Subtotal	42,094	-	-	42,094
Accumulated Depreciation:				
Equipment	(22,494)	(206)	-	(22,700)
Vehicles	(11,389)	(3,796)	-	(15,185)
Subtotal	(33,883)	(4,002)	-	(37,885)
Net Capital Assets	$ 8,211	$ (4,002)	$ -	$ 4,209

6. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2018, are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due in One Year
Compensated Absences	$ 43,876	$ 22,342	$ (20,364)	$ 45,854	$ 16,327
Net Pension Liability	222,143	135,270	-	357,413	-
Net OPEB Liability	143,342	15,196	-	158,538	-
Total	$ 409,361	$ 172,808	$ (20,364)	$ 561,805	$ 16,327

For the purpose of calculating the compensated absences liability, vacation, personal, sick, and compensatory leaves only are considered. The current portion of the liability consists of the amount of compensated absences that is due to be paid within one year of the balance sheet date, as estimated by analyzing data from the previous fiscal year.

7. DEFINED BENEFIT PENSION PLANS

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

Ohio Revised Code limits the Foundation's obligation for this liability to annually required payments. The Foundation cannot control benefit terms or the manner in which pensions are financed; however, the Foundation 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 plan to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year would be included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The Foundation had no such liability at fiscal year-end.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Foundation employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.
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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2019 Actual Contribution Rates	
Employer	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Foundation's contractually required pension contribution was $25,084 for 2019. The entire amount was used to fund pension benefits.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Foundation's proportion of the net pension liability was based on the Foundation's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	$	357,413
2017 Proportion of the Net Pension Liability		0.001416%
2018 Proportion of the Net Pension Liability		0.001305%
Change in Proportionate Share		-0.000111%
Pension Expense	$	41,706

7. DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2019, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources		
Differences between expected and actual experience	$	16
Changes of assumptions		31,114
Net difference between projected and actual earnings on pension plan investments		48,511
Foundation contributions subsequent to the measurement date		12,541
Total Deferred Outflows of Resources	$	92,182
Deferred Inflows of Resources		
Differences between expected and actual experience	$	4,693
Change in proportionate share		23,721
Total Deferred Inflows of Resources	$	28,414

$12,541 reported as deferred outflows of resources related to pension resulting from Foundation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:		Amount
2020	$	14,509
2021		9,657
2022		4,501
2023		22,560
Total	$	51,227

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions and methods applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 to 10.75 percent including wage inflation at 3.25 percent
COLA or Ad Hoc COLA	Pre-1/7/13 Retirees: 3% Simple; Post 1/7/13 Retirees: 3% Simple through 2018, then 2.15% Simple
Investment Rate of Return	7.20 percent
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was for the 5-year period ended December 31, 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

7. DEFINED BENEFIT PENSION PLANS (Continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Foundation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Foundation's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Foundation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Foundation's proportionate share of the net pension liability	$ 528,003	$ 357,413	$ 215,651

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8. DEFINED BENEFIT OPEB PLAN

The employees of the Foundation are covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Net OPEB Liability

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

Ohio Revised Code limits the Foundation's obligation for this liability to annually required payments. The Foundation cannot control benefit terms or the manner in which OPEB are financed; however, the Foundation 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 system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year would be included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The Foundation had no such liability at fiscal year-end.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description The Ohio Public Employees Retirement System (OPERS). OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not legally support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016.

8. DEFINED BENEFIT OPEB PLAN (Continued)

The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees who purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2019, the Foundation contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. A portion of each employer contribution may be set aside for the funding of post-employment health care coverage. The portion of employer contributions allocated to health care was zero for 2018.

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

The net OPEB liability for OPERS was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Foundation's proportion of the net OPEB liability was based on the Foundation's share of contributions to the retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Proportionate Share of the Net OPEB Liability	$158,538
2017 Proportion of the Net OPEB Liability	0.001320%
2018 Proportion of the Net OPEB Liability	0.001216%
Change in Proportionate Share	-0.000104%
OPEB Expense	$4,430

8. DEFINED BENEFIT OPEB PLAN (Continued)

At June 30, 2019, the Foundation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	$54
Net difference between projected and actual earnings on pension plan investments	7,268
Changes of assumptions	5,111
Total Deferred Outflows of Resources	$12,433
Deferred Inflows of Resources	
Differences between expected and actual experience	$430
Changes in proportionate share	14,350
Total Deferred Inflows of Resources	$14,780

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	OPERS Health Care Plan
2020	$ (4,255)
2021	(2,839)
2022	1,084
2023	3,663
Total	$ (2,347)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

8. DEFINED BENEFIT OPEB PLAN (Continued)

Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Single Discount Rate	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.0% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The allocation of investment assets within the OPERS Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
REITs	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

8. DEFINED BENEFIT OPEB PLAN (Continued)

Discount Rate The discount rate used to measure the total pension liability was 3.96 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Foundation's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Foundation's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 3.96 percent, as well as what the Foundation's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Single Discount Rate (3.96%)	1% Increase (4.96%)
Foundation's proportionate share of the net OPEB liability	$ 202,829	$ 158,538	$ 123,315

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (9.00%)	Current Trend Rate (10.00%)	1% Increase (11.00%)
Foundation's proportionate share of the net OPEB liability	$ 152,389	$ 158,538	$ 165,619

9. LEASES

The Foundation has entered into an operating lease for office space. The current lease agreement commenced on July 1, 2015 and ended on June 30, 2017 at an annual rate of $21,747. According to the Foundation's lease agreement for office space, provided the Foundation is in compliance with the existing terms of the contract, the Foundation has the option to renew the lease for up to three successive and continuous terms of two years each upon the same terms and conditions except that the base rent during said renewal terms will be negotiated in good faith by both parties. In March 2017, the Foundation renewed the lease for the same annual rate for another two years. In March 2019, the Foundation renewed the lease for the same annual rate for another two years. Leased properties not having elements of ownership are classified as operating leases and likewise are recorded as expenditures when payable.

For fiscal year 2019, total operating lease expenses for the office space was $21,747. The following schedule details future lease payments of the Foundation.

Term	Office Space
Fiscal year 2020	$ 21,747
Fiscal year 2021	$ 21,747

10. CONTINGENCIES

As of June 30, 2019, the Foundation's management, in consultation with the Ohio Attorney General's Office was unaware of any pending litigation which could result in a material unfavorable outcome requiring amounts to be reported or disclosed in the Foundation's financial statements.

11. SETTLEMENT INCOME

During the fiscal year, the Foundation received a judgment against Repurpose, LLC and the Certificate of Judgment that was recorded was attached as a lien to certain property owned by Repurpose, LLC. In January 2019, a payoff check in the amount of $64,538 was received and a release of the Certificate of Judgement was subsequently issued.

12. EXPLANATION OF ADJUSTMENTS

The following is a detailed description of the amounts included in the "Adjustments" column of the accompanying financial statements:

Governmental Fund Balance Sheet/Statement of Net Position

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Special Revenue Fund column; however, capital assets are reported in the Statement of Net Position column	$4,209
Receivables that are not available to pay for current period expenditures are unavailable in the Special Revenue Fund column	
Accrued Interest	($3,431)
Long-term liabilities, such as net pension liability, net OPEB liability, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the Special Revenue Fund column. However, long-term liabilities are reported in the Statement of Net Position column.	
Compensated Absences	$45,854
Net Pension Liability	$357,413
Net OPEB Liability	$158,538
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflow of Resources Pension – Pension Plan Experience	$16
Deferred Outflow of Resources Pension – Pension Plan Change of Assumptions	$31,114
Deferred Outflow of Resources Pension – Pension Plan Investments	$48,511
Deferred Outflow of Resources Pension – Employer Contributions	$12,541
Deferred Outflow of Resources OPEB – Pension Plan Experience	$54
Deferred Outflow of Resources OPEB – Pension Plan Investments	$7,268
Deferred Outflow of Resources OPEB – Pension Plan Change of Assumptions	$5,111
Deferred Inflow of Resources Pension – Pension Plan Experience	$4,693
Deferred Inflow of Resources Pension– Change in Proportionate Share	$23,721
Deferred Inflow of Resources OPEB – Pension Plan Experience	$430
Deferred Inflow of Resources OPEB– Change in Proportionate Share	$14,350

12. EXPLANATION OF ADJUSTMENTS (Continued)

Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Special Revenue Fund column.		($9,172)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. No depreciation expense is recorded in the Special Revenue Fund column.		
	Depreciation	$4,002
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Special Revenue Fund column.		
	Compensated Absences	$1,978
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
	Pension Expense - Pension	$41,706
	Pension Expense - OPEB	$4,430
	Pension Contributions - Pension	($12,541)

13. CHANGE IN ACCOUNTING PRINCIPLES

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

GASB Statement No. 83 "Certain Asset Retirement Obligations" enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain Asset Retirement Obligations (ARO's), including obligations that may not have been previously reported. This Statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those ARO's. The implementation of this statement did not have an effect on the financial statements of the Foundation.

GASB Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The implementation of this statement did not have an effect on the financial statements of the Foundation.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST SIX YEARS (1)

	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability	0.001305%	0.001416%	0.001619%	0.001804%	0.001765%	0.001765%
Proportionate share of the net pension liability	$ 357,413	$ 222,143	$ 367,648	$ 312,476	$ 212,879	$ 208,071
Covered payroll	$ 176,315	$ 187,095	$ 209,246	$ 224,558	$ 211,851	$ 232,914
Proportionate share of the net pension liability as a percentage of covered payroll	202.71%	118.73%	175.70%	139.15%	100.49%	89.33%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the Foundation's measurement date, which is December 31.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST THREE YEARS (1)

	2018	2017	2016
Proportion of the net OPEB liability	0.001216%	0.001320%	0.001510%
Proportionate share of the net OPEB liability	$ 158,538	$ 143,342	$ 152,515
Covered payroll	$ 176,315	$ 187,095	$ 209,246
Proportionate share of the net OPEB liability as a percentage of covered payroll	89.92%	76.61%	72.89%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

(1) Information prior to 2016 is not available.

Amounts presented as of the Foundation's measurement date, which is December 31.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution										
Pension	$ 25,084	$ 24,207	$ 23,706	$ 27,366	$ 26,053	$ 25,824	$ 29,812	$ 28,797	$ 27,536	$ 23,295
OPEB	-	897	2,844	4,561	4,342	3,099	6,481	12,124	15,733	16,532
Contributions in relation to the contractually required contribution	$ 25,084	$ 25,104	$ 26,550	$ 31,927	$ 30,395	$ 28,923	$ 36,293	$ 40,921	$ 43,269	$ 39,827
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 179,170	$ 179,314	$ 189,648	$ 228,050	$ 217,108	$ 206,593	$ 259,236	$ 303,121	$ 314,700	$ 300,586
Contributions as a percentage of covered-employee payroll										
Pension	14.00%	13.50%	12.50%	12.00%	12.00%	12.50%	11.50%	9.50%	8.75%	7.75%
OPEB	0.00%	0.50%	1.50%	2.00%	2.00%	1.50%	2.50%	4.00%	5.00%	5.50%

Net Pension Liability – Ohio Public Employees Retirement System

Changes of benefit terms - There were no significant changes of benefit terms in 2019.

Changes of assumptions - Amounts reported in 2017 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Amounts reported in 2019 reflect a reduction in the actuarially assumed rate of return from 7.5% down to 7.2%, for the defined benefit investments

Net OPEB Liability – Ohio Public Employees Retirement System

Changes of benefit terms - There were no significant changes of benefit terms in 2019.

Changes of assumptions - For 2018, the single discount rate changed from 4.23 percent to 3.85 percent. Amounts reported in 2019 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 6.5% down to 6.0%, for the defined benefit investments

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Southern Ohio Agricultural and Community Development Foundation
100 South High Street, PO Box 47
Hillsboro, Ohio 45133

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the special revenue fund of the Southern Ohio Agricultural and Community Development Foundation, (the Foundation), a department of the State of Ohio, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

September 26, 2019

OHIO AUDITOR OF STATE
KEITH FABER

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2019