



OHIO AUDITOR OF STATE
KEITH FABER



**AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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LORAIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Avon Local School District
Lorain County
35573 Detroit Road
Avon, Ohio 44011

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Local School District, Lorain County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2021

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Avon Local School District
Lorain County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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

Financial Highlights

Key financial highlights for 2020 are as follows:

- Net position increased \$266,607, which represents a 4 percent increase from 2019 net position.
- Capital assets decreased \$1,455,359 during fiscal year 2020.
- During the fiscal year, outstanding debt increased from \$60,162,958 to \$75,644,268.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, food service operations and community services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the building fund.

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

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2020 compared to 2019:

Table 1
Net Position

	Governmental Activities		
	2020	2019	Change
Assets			
Current and Other Assets	\$ 77,645,948	\$ 53,490,278	\$ 24,155,670
Net OPEB Asset	2,691,837	2,542,623	149,214
Capital Assets	76,765,899	78,221,258	(1,455,359)
<i>Total Assets</i>	<u>157,103,684</u>	<u>134,254,159</u>	<u>22,849,525</u>
Deferred Outflows of Resources			
Pension & OPEB	12,038,843	14,543,463	(2,504,620)
Liabilities			
Current and Other Liabilities	6,123,782	6,536,171	(412,389)
Long-Term Liabilities:			
Due Within One Year	19,967,961	2,745,363	17,222,598
Due Within More Than One Year:			
Net Pension & OPEB Liabilities	50,521,405	48,722,034	1,799,371
Other Amounts	59,241,345	60,758,387	(1,517,042)
<i>Total Liabilities</i>	<u>135,854,493</u>	<u>118,761,955</u>	<u>17,092,538</u>
Deferred Inflows of Resources			
Property Taxes and Other	28,534,338	25,253,728	3,280,610
Pension & OPEB	6,754,119	7,136,358	(382,239)
Payment in Lieu of Taxes	4,199,799	4,112,410	87,389
<i>Total Deferred Inflows of Resources</i>	<u>39,488,256</u>	<u>36,502,496</u>	<u>2,985,760</u>
Net Position			
Net Investment in Capital Assets	20,727,020	20,359,093	367,927
Restricted	25,049,422	6,676,619	18,372,803
Unrestricted	(51,976,664)	(33,502,541)	(18,474,123)
<i>Total Net Position</i>	<u>\$ (6,200,222)</u>	<u>\$ (6,466,829)</u>	<u>\$ 266,607</u>

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The net pension liability (NPL) is one of the largest single liabilities reported by the School District at June 30, 2020, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2020 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

At year end, capital assets represented 49 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets was \$20,727,020 at June 30, 2020. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$25,049,422, represents resources that are subject to external restrictions on how they may be used. The deficit balance of government-wide unrestricted net position was (\$51,976,664).

Current and other assets increased primarily due to an increase in property taxes receivable as a result of new tax levies that were passed and an increase in cash balance with Great Lakes Council for claims. In addition, equity in cash and cash equivalents in segregated and escrow accounts increased as a result of unspent proceeds at year end and are related to the issuance of bond anticipation notes, and a lease purchase agreement, respectively. Capital assets decreased as a result of depreciation.

Total liabilities increased primarily in due within one year as a result of bond anticipation notes maturing in fiscal year 2021. Deferred inflows from payment of property taxes increased due to additional tax levies.

There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in the retirement systems unfunded liabilities that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2020 and 2019.

Table 2
Changes in Net Position

	Governmental Activities		
	2020	2019	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 2,556,602	\$ 2,964,217	\$ (407,615)
Operating Grants	3,819,359	3,645,142	174,217
Capital Grants	177,970	98,474	79,496
<i>Total Program Revenues</i>	<u>6,553,931</u>	<u>6,707,833</u>	<u>(153,902)</u>
<i>General Revenues:</i>			
Property Taxes	36,094,007	31,718,585	4,375,422
Grants and Entitlements Not Restricted	8,183,826	8,749,287	(565,461)
Payments in Lieu of Taxes	4,693,341	3,925,723	767,618
Other	779,398	726,586	52,812
<i>Total General Revenues</i>	<u>49,750,572</u>	<u>45,120,181</u>	<u>4,630,391</u>
<i>Total Revenues</i>	<u>56,304,503</u>	<u>51,828,014</u>	<u>4,476,489</u>
Program Expenses			
<i>Instruction:</i>			
Regular	23,861,497	19,239,049	4,622,448
Special	8,589,909	7,889,810	700,099
Vocational	154,782	156,097	(1,315)
Other	697,493	782,721	(85,228)
<i>Support Services:</i>			
Pupils	3,152,821	2,699,020	453,801
Instructional Staff	1,304,076	1,149,306	154,770
Board of Education	49,925	52,563	(2,638)
Administration	3,405,569	2,739,969	665,600
Fiscal	1,255,947	1,153,517	102,430
Business	296,627	281,214	15,413
Operation and Maintenance of Plant	4,104,898	4,615,529	(510,631)
Pupil Transportation	3,101,850	3,129,650	(27,800)
Central	374,837	310,985	63,852
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	891,932	966,118	(74,186)
Community Services	960,609	1,149,217	(188,608)
Other	6,065	0	6,065
Extracurricular Activities	1,609,803	1,287,435	322,368
<i>Debt Service:</i>			
Interest and Fiscal Charges	2,219,256	2,010,600	208,656
<i>Total Expenses</i>	<u>56,037,896</u>	<u>49,612,800</u>	<u>6,425,096</u>
<i>Increase (Decrease) in Net Position</i>	266,607	2,215,214	(1,948,607)
<i>Net Position at Beginning of Year</i>	(6,466,829)	(8,682,043)	2,215,214
<i>Net Position at End of Year</i>	<u>\$ (6,200,222)</u>	<u>\$ (6,466,829)</u>	<u>\$ 266,607</u>

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Increases in property taxes and an increase in payment in lieu of taxes resulting from an increase in assessed values and additional tax abatements in the previous year resulted in an overall revenue increase, despite a decrease in charges for services due a reduction in food service revenue.

Overall, program expenses increased significantly. The changes in program expenses are primarily associated to changes in the School District's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2020	2019	2020	2019
Instruction:				
Regular	\$ 23,861,497	\$ 19,239,049	\$ 22,415,955	\$ 17,873,909
Special	8,589,909	7,889,810	6,886,283	6,043,995
Vocational	154,782	156,097	143,272	144,587
Other	697,493	782,721	697,493	782,721
Support Services:				
Pupils	3,152,821	2,699,020	2,846,586	2,400,419
Instructional Staff	1,304,076	1,149,306	1,188,006	967,172
Board of Education	49,925	52,563	(90,546)	52,563
Administration	3,405,569	2,739,969	3,198,461	2,590,745
Fiscal	1,255,947	1,153,517	1,172,229	1,151,889
Business	296,627	281,214	276,974	279,543
Operation and Maintenance of Plant	4,104,898	4,615,529	4,101,968	4,500,723
Pupil Transportation	3,101,850	3,129,650	2,983,024	2,957,707
Central	374,837	310,985	365,837	291,489
Operation of Non-Instructional Services:				
Food Service Operations	891,932	966,118	(293,654)	(216,956)
Community Services	960,609	1,149,217	(45,370)	17,050
Other	6,065	0	6,065	0
Extracurricular Activities	1,609,803	1,287,435	1,412,126	1,056,811
Debt Service:				
Interest and Fiscal Charges	2,219,256	2,010,600	2,219,256	2,010,600
Total Expenses	\$ 56,037,896	\$ 49,612,800	\$ 49,483,965	\$ 42,904,967

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The dependence upon general revenues for governmental activities is apparent. Over 88 percent of governmental activities are supported through taxes and other general revenues; such revenues are 88 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$56,405,852 and total expenditures of \$53,518,710 for the fiscal year. The net change in fund balances for the fiscal year was an increase of \$20,800,890 for all governmental funds with the most significant increase in the building fund.

The general fund's net change in fund balance for fiscal year 2020 was an increase of \$2,277,038. This increase is primarily due to an increase in payment in lieu of taxes and property taxes offset by a slight increase in expenditures in the normal operation of the School District.

The building fund's net change in fund balance for fiscal year 2020 was an increase of \$17,264,704. This increase is primarily from an increase in cash from unspent proceeds on the issuance of bond anticipation notes.

General Fund Budgeting Highlights

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

The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue and other financing sources was \$840,999 higher than the final budget basis revenue and other financing sources of \$44,669,306. The under estimation of property taxes was the primary difference.

Final budget expenditure appropriations and other financing uses of \$46,116,730 were \$182,389 higher than the actual expenditures of \$45,934,341, due to conservative spending.

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Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2020 balances compared with 2019.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2020	2019
Land	\$ 3,603,900	\$ 3,603,900
Construction in Progress	446,384	34,258
Land Improvements	2,036,375	1,753,170
Buildings and Improvements	69,016,105	70,960,297
Furniture and Equipment	849,262	1,001,922
Vehicles	813,873	867,711
<i>Totals</i>	\$ 76,765,899	\$ 78,221,258

The \$1,455,359 decrease in capital assets was attributable to depreciation and disposals exceeding capital asset additions. See Note 10 for more information about the capital assets of the School District.

Debt

Table 5 summarizes debt outstanding. See Note 11 for additional details.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2020	2019
Bonds Payable	\$ 52,217,357	\$ 53,968,955
Accretion on Capital Appreciation Bonds	2,016,706	2,230,213
Premium on Bonds	3,290,210	3,498,254
Direct Borrowings	18,119,995	465,536
<i>Total</i>	\$ 75,644,268	\$ 60,162,958

Current Issues

The School District has committed itself to a fiscal discipline based on long-term plans. The School District is financially stable. The Board of Education and administration have implemented fiscal management disciplines that utilize a variety of formal plans. They have kept to the plan of working

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within the five-year budget plan, finished the building and renovation projections and are working towards the next phases. The enrollment and community continue to grow at a steady pace.

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Thus management must diligently plan expenses staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast. The School District was able to pass a substitute levy, which combined all of their five emergency levies into one levy; this provided for financial stability knowing that funding was going to be constant.

Due to the School District's rapid growth and property valuation, funding from the State is capped. This puts the School District on the ballot in a position to have to ask for additional funding, through new levies more often than it would like. In November 2019, taxpayers approved a new emergency levy for 3.91 mill which generates \$3,720,000 annually. Additionally, taxpayers renewed 0.98 mill of bond debt, that will generate enough revenue to construct a performing arts center at the high school, as well as renovate the current and commons area at the high school.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant fluctuation in fair value, consistent with the general fluctuation in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, due to the dynamic environment and changes in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated. As a result of COVID-19, the School District's state revenue was cut by 6 percent during the fourth quarter and spending was reduced by roughly the same amount to offset the reduction in funding.

As the community continues to grow, student and staffing needs will grow, day to day operations will need to be managed and plan carefully. State funding will be a financial question for the School District. The School District will need to continue to manage, plan, and maximize its' resources in order to meet student and staff needs as they did in the past. All of the School District's financial abilities will be forecasted and monitored in accordance with needs to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, Sadie Fellure, Treasurer, can be contacted at the Avon Local School District, 36600 Detroit Road, Avon, Ohio 44011.

Avon Local School District
Lorain County, Ohio
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 16,453,957
Cash and Cash Equivalents with Fiscal Agent	1,064,390
Cash and Cash Equivalents in Segregated Accounts	17,296,611
Cash and Cash Equivalents with Escrow Accounts	381,748
Receivables:	
Accounts	21,792
Intergovernmental	497,362
Payment in Lieu of Taxes	4,668,280
Property Taxes	37,261,808
Net OPEB Asset	2,691,837
Nondepreciable Capital Assets	4,050,284
Depreciable Capital Assets (Net)	72,715,615
<i>Total Assets</i>	157,103,684
Deferred Outflows of Resources	
Pension	10,675,958
OPEB	1,362,885
<i>Total Deferred Outflows of Resources</i>	12,038,843
Liabilities	
Accounts Payable	250,424
Accrued Wages and Benefits	3,904,743
Contracts Payable	31,691
Intergovernmental Payable	915,417
Matured Compensated Absences Payable	79,230
Accrued Interest Payable	306,283
Claims Payable	635,994
Long Term Liabilities:	
Due Within One Year	19,967,961
Due In More Than One Year:	
Net Pension Liability	46,129,845
Net OPEB Liability	4,391,560
Other Amounts Due in More Than One Year	59,241,345
<i>Total Liabilities</i>	135,854,493
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	28,534,338
Payment in Lieu of Taxes Levied for the Next Year	4,199,799
Pension	2,165,499
OPEB	4,588,620
<i>Total Deferred Inflows of Resources</i>	39,488,256
Net Position	
Net Investment in Capital Assets	20,727,020
Restricted For:	
Capital Outlay	19,662,211
Debt Service	2,578,361
Other Purposes	2,808,850
Unrestricted	(51,976,664)
<i>Total Net Position</i>	\$ (6,200,222)

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 23,861,497	\$ 1,273,879	\$ 99,711	\$ 71,952	\$ (22,415,955)
Special	8,589,909	25,571	1,678,055	0	(6,886,283)
Vocational	154,782	0	11,510	0	(143,272)
Other	697,493	0	0	0	(697,493)
Support Services:					
Pupils	3,152,821	53,497	252,738	0	(2,846,586)
Instructional Staff	1,304,076	0	116,070	0	(1,188,006)
Board of Education	49,925	0	140,471	0	90,546
Administration	3,405,569	0	207,108	0	(3,198,461)
Fiscal	1,255,947	0	0	83,718	(1,172,229)
Business	296,627	283	0	19,370	(276,974)
Operation and Maintenance of Plant	4,104,898	0	0	2,930	(4,101,968)
Pupil Transportation	3,101,850	0	118,826	0	(2,983,024)
Central	374,837	0	9,000	0	(365,837)
Operation of Non-Instructional Services:					
Food Service Operations	891,932	690,114	495,472	0	293,654
Community Services	960,609	318,405	687,574	0	45,370
Other	6,065	0	0	0	(6,065)
Extracurricular Activities	1,609,803	194,853	2,824	0	(1,412,126)
Debt Service:					
Interest and Fiscal Charges	2,219,256	0	0	0	(2,219,256)
Total	<u>\$ 56,037,896</u>	<u>\$ 2,556,602</u>	<u>\$ 3,819,359</u>	<u>\$ 177,970</u>	<u>(49,483,965)</u>

General Revenues

Property Taxes Levied for:

General Purposes	31,560,991
Debt Service	3,742,292
Capital Outlay	790,724
Grants and Entitlements Not Restricted to Specific Programs	8,183,826
Payment in Lieu of Taxes	4,693,341
Investment Earnings	361,683
Miscellaneous	417,715
Total General Revenues	<u>49,750,572</u>

Change in Net Position 266,607

Net Position Beginning of Year (6,466,829)

Net Position End of Year \$ (6,200,222)

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Balance Sheet
Governmental Funds
June 30, 2020

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 9,973,280	\$ 25,846	\$ 6,324,513	\$ 16,323,639
Cash and Cash Equivalents with Escrow Agent	0	0	381,748	381,748
Cash and Cash Equivalents in Segregated Accounts	0	17,296,611	0	17,296,611
Receivables:				
Accounts	17,693	0	2,767	20,460
Interfund	5,108	0	0	5,108
Intergovernmental	0	0	497,362	497,362
Payment in Lieu of Taxes	4,555,192	0	113,088	4,668,280
Property Taxes	32,666,082	0	4,595,726	37,261,808
<i>Total Assets</i>	<u>\$ 47,217,355</u>	<u>\$ 17,322,457</u>	<u>\$ 11,915,204</u>	<u>\$ 76,455,016</u>
Liabilities				
Accounts Payable	\$ 187,972	\$ 0	\$ 62,452	\$ 250,424
Accrued Wages and Benefits	3,728,325	0	176,418	3,904,743
Contracts Payable	0	31,691	0	31,691
Intergovernmental Payable	879,275	0	36,142	915,417
Matured Compensated Absences Payable	79,230	0	0	79,230
Interfund Payable	0	0	5,108	5,108
<i>Total Liabilities</i>	<u>4,874,802</u>	<u>31,691</u>	<u>280,120</u>	<u>5,186,613</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	25,057,106	0	3,477,232	28,534,338
Unavailable Revenue	54,024	0	271,000	325,024
Payment in Lieu of Taxes Levied for the Next Year	4,094,664	0	105,135	4,199,799
<i>Total Deferred Inflows of Resources</i>	<u>29,205,794</u>	<u>0</u>	<u>3,853,367</u>	<u>33,059,161</u>
Fund Balances				
Restricted	0	17,290,766	7,799,987	25,090,753
Committed	11,000	0	0	11,000
Assigned	1,137,994	0	0	1,137,994
Unassigned	11,987,765	0	(18,270)	11,969,495
<i>Total Fund Balances</i>	<u>13,136,759</u>	<u>17,290,766</u>	<u>7,781,717</u>	<u>38,209,242</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 47,217,355</u>	<u>\$ 17,322,457</u>	<u>\$ 11,915,204</u>	<u>\$ 76,455,016</u>

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total Governmental Fund Balances		\$ 38,209,242
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		76,765,899
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 263,399	
Property Taxes	<u>61,625</u>	325,024
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		560,046
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(306,283)
The net pension and OPEB asset/liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	2,691,837	
Deferred Outflows - Pension	10,675,958	
Deferred Outflows - OPEB	1,362,885	
Deferred Inflows - Pension	(2,165,499)	
Deferred Inflows - OPEB	(4,588,620)	
Net Pension Liability	(46,129,845)	
Net OPEB Liability	<u>(4,391,560)</u>	(42,544,844)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(48,975,000)	
Direct Borrowings - Lease Purchases	(619,995)	
Capital Appreciation Bonds	(3,242,357)	
Bond Anticipation Notes	(17,500,000)	
Bond Premium	(3,290,210)	
Accretion of Interest - Capital Appreciation Bonds	(2,016,706)	
Compensated Absences	<u>(3,565,038)</u>	<u>(79,209,306)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ (6,200,222)</u>

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 31,571,057	\$ 0	\$ 4,534,988	\$ 36,106,045
Intergovernmental	8,857,892	0	3,244,839	12,102,731
Investment Income	361,683	79,088	0	440,771
Tuition and Fees	981,540	0	0	981,540
Extracurricular Activities	261,078	0	194,853	455,931
Rentals	110,329	0	0	110,329
Charges for Services	0	0	1,008,802	1,008,802
Contributions and Donations	93,421	0	27,226	120,647
Payment in Lieu of Taxes	4,580,253	0	113,088	4,693,341
Miscellaneous	362,412	0	23,303	385,715
<i>Total Revenues</i>	<u>47,179,665</u>	<u>79,088</u>	<u>9,147,099</u>	<u>56,405,852</u>
Expenditures				
Current:				
Instruction:				
Regular	20,156,807	0	295,342	20,452,149
Special	7,505,162	0	643,447	8,148,609
Vocational	160,425	0	0	160,425
Other	697,493	0	0	697,493
Support Services:				
Pupils	2,685,060	0	257,407	2,942,467
Instructional Staff	1,090,395	0	93,219	1,183,614
Board of Education	39,803	0	0	39,803
Administration	2,886,548	0	195,387	3,081,935
Fiscal	1,133,021	0	68,125	1,201,146
Business	219,601	0	50,688	270,289
Operation and Maintenance of Plant	3,796,417	0	7,622	3,804,039
Pupil Transportation	2,756,537	0	0	2,756,537
Central	326,724	0	4,500	331,224
Extracurricular Activities	1,032,631	0	210,197	1,242,828
Operation of Non-Instructional Services:				
Food Service Operations	0	0	876,043	876,043
Community Services	6,961	0	887,523	894,484
Other	9,042	0	0	9,042
Capital Outlay	0	346,384	621,295	967,679
Debt Service:				
Principal Retirement	0	0	1,978,887	1,978,887
Interest and Fiscal Charges	0	0	2,480,017	2,480,017
<i>Total Expenditures</i>	<u>44,502,627</u>	<u>346,384</u>	<u>8,669,699</u>	<u>53,518,710</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,677,038</u>	<u>(267,296)</u>	<u>477,400</u>	<u>2,887,142</u>
Other Financing Sources (Uses)				
Premium on Bond Anticipation Notes	0	32,000	0	32,000
Proceeds from Lease Purchase	0	0	381,748	381,748
Proceeds from Bond Anticipation Notes	0	17,500,000	0	17,500,000
Transfers In	0	0	400,000	400,000
Transfers Out	(400,000)	0	0	(400,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(400,000)</u>	<u>17,532,000</u>	<u>781,748</u>	<u>17,913,748</u>
<i>Net Change in Fund Balance</i>	2,277,038	17,264,704	1,259,148	20,800,890
<i>Fund Balances Beginning of Year</i>	<u>10,859,721</u>	<u>26,062</u>	<u>6,522,569</u>	<u>17,408,352</u>
<i>Fund Balances End of Year</i>	<u>\$ 13,136,759</u>	<u>\$ 17,290,766</u>	<u>\$ 7,781,717</u>	<u>\$ 38,209,242</u>

See accompanying notes to the basic financial statements.

**Avon Local School District
Lorain County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020*

Net Change in Fund Balances - Total Governmental Funds		\$ 20,800,890
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital Asset Additions	\$ 1,091,372	
Current Year Depreciation	<u>(2,546,731)</u>	(1,455,359)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(121,311)	
Property Taxes	<u>(12,038)</u>	(133,349)
Repayment of principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	1,665,000	
Direct Borrowings	227,289	
Capital Appreciation Bonds	86,598	
Accreted Interest on Capital Appreciation Bonds	<u>648,402</u>	2,627,289
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
General Obligation Bond Anticipation Notes	(17,500,000)	
Direct Borrowings - Lease Purchase	<u>(381,748)</u>	(17,881,748)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(160,790)	
Amortization of Premium on Bonds	<u>208,044</u>	47,254
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	3,707,379	
OPEB	<u>116,425</u>	3,823,804
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB asset/liabilities are reported as Pension/OPEB expense in the statement of activities.		
Pension	(8,028,030)	
OPEB	<u>431,688</u>	(7,596,342)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		693,309
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 governmental funds.		
Compensated Absences		(224,246)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(434,895)</u>
<i>Change in Net Position of Governmental Activities</i>		<u>\$ 266,607</u>

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues and Other Financing Sources	\$ 42,809,498	\$ 44,669,306	\$ 45,510,305	\$ 840,999
Expenditures and Other Financing Uses	<u>51,500,660</u>	<u>46,116,730</u>	<u>45,934,341</u>	<u>182,389</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,691,162)	(1,447,424)	(424,036)	1,023,388
<i>Fund Balance Beginning of Year</i>	7,971,877	7,971,877	7,971,877	0
Prior Year Encumbrances Appropriated	<u>816,265</u>	<u>816,265</u>	<u>816,265</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 96,980</u>	<u>\$ 7,340,718</u>	<u>\$ 8,364,106</u>	<u>\$ 1,023,388</u>

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 130,318
Cash and Cash Equivalents with Fiscal Agent	1,064,390
Accounts Receivable	1,332
<i>Total Assets</i>	<u>1,196,040</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>635,994</u>
<i>Total Current Liabilities</i>	<u>635,994</u>
Net Position	
Unrestricted	<u>\$ 560,046</u>

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$ 7,354,499</u>
Operating Expenses	
Purchased Services	183,142
Claims	6,476,248
Other	12,167
<i>Total Operating Expenses</i>	<u>6,671,557</u>
<i>Operating Income (Loss)</i>	682,942
Non-Operating Revenues (Expenses)	
Interest	<u>10,367</u>
<i>Change in Net Position</i>	693,309
<i>Net Position Beginning of Year</i>	<u>(133,263)</u>
<i>Net Position End of Year</i>	<u>\$ 560,046</u>

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash Received for Charges for Services	\$ 7,353,167
Cash Paid for Goods and Services	(195,579)
Cash Paid for Claims	(6,491,779)
<i>Net Cash Provided By (Used For) Operating Activities</i>	665,809
Cash Flows From Investing Activities	
Interest on Investments	10,367
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	676,176
<i>Cash and Cash Equivalents, Beginning of Year</i>	518,532
<i>Cash and Cash Equivalents, End of Year</i>	\$ 1,194,708
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ 682,942
Adjustments:	
(Increase) Decrease Assets:	
Accounts Receivable	(1,332)
Increase (Decrease) in Liabilities:	
Accounts Payable	(270)
Claims Payable	(15,531)
<i>Total Adjustments</i>	(17,133)
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 665,809

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2020

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 341,074
Accounts Receivable	475
<i>Total Assets</i>	<u>\$ 341,549</u>
Liabilities	
Accounts Payable	\$ 40
Due to Others	238,397
Due to Students	103,112
<i>Total Liabilities</i>	<u>\$ 341,549</u>

See accompanying notes to the basic financial statements.

Avon Local School District
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1: DESCRIPTION OF THE REPORTING ENTITY

The Avon Local School District (the School District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

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

Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. Their monies are received and disbursed by the School District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity of the School District.

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

The School District is associated with Connect, the Lorain County Joint Vocational School District, Great Lakes Council of Governments, and the Ohio Schools Council which are considered to be jointly governed organizations. These organizations and their relationships with the School District are described in more detail in Note 15.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Avon Local School District
Lorain County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid “doubling up” revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities present a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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Building Fund The Building Fund receives bond proceeds for the payment of capital improvement projects.

The other governmental funds of the School District account for grants and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The School District's only proprietary fund is internal service.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The School District's internal service fund is:

Self-Insurance Fund This fund accounts for monies received from other funds as payment for providing employee benefits. The self-insurance fund may make payments for services provided to employees, for reimbursements to employees who have paid providers, to third party administrators for claim payments or administration, for stop-loss coverage, or other reinsurance or other similar purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student managed activities and miscellaneous agency funds.

C. Measurement Focus

Government-wide Financial Statements

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

Avon Local School District
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Fund Financial Statements

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 and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB, and payment in lieu of taxes. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position 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 as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 13 and 14).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

E. Cash and Investments

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

During fiscal year 2020, investments were limited to Federal Home Loan Mortgage Corporation bonds, Federal Home Loan Bank, Federal Farm Credit Bank Funding Corporation bonds, Negotiable certificates of deposit, US Treasury Notes, money market, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$361,683, which includes \$152,808 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments".

F. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the government activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the dates received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 30 years
Buildings and Improvements	30 - 50 years
Furniture and Equipment	7 - 20 years
Vehicles	10 - 20 years

G. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Compensated absences include salary related payments related to vacation and sick leave liabilities. Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. Sick leave benefits are accrued as a liability using the "termination payment method". The termination payment method accrues a liability that is based entirely on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The estimate is based on past experience. This estimate (ratio) is then applied to employees' sick leave balances and current wages at fiscal year-end.

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

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I. Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pension/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.

J. Accrued Liabilities and Long-term Obligations

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

K. Bond Premiums

Bond premiums are recorded as another financing source on the governmental fund statements. On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the straight line method, which approximates the bonds outstanding method. Bond premiums are presented as an increase of the face amount of the bonds payable.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2020, there was no net position restricted by enabling legislation.

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

Avon Local School District
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Notes to the Basic Financial Statements
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M. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

Avon Local School District
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For the Fiscal Year Ended June 30, 2020

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for its employee self-insurance program. Operating expenses are necessary costs incurred to provide services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

O. Interfund Activity

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

P. Estimates

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

Q. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

Avon Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

R. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2020, the School District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the School District also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the School District.

For the fiscal year ended June 30, 2020, the School District has early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 92 *Omnibus 2020*, and certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

Avon Local School District
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Notes to the Basic Financial Statements
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NOTE 3: ACCOUNTABILITY

Deficit Fund Balances

The following funds had GAAP deficit balances at June 30, 2020:

<u>Nonmajor Governmental Funds:</u>	<u>Fund Balance</u>
Title I Fund	\$ 15,684
IDEA Preschool Fund	2,586

These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is when cash is needed rather than when accruals occur.

NOTE 4: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

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Avon Local School District
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Notes to the Basic Financial Statements
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	General	Building Fund	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 0	\$2,878,360	\$ 2,878,360
Capital Outlay	0	17,290,766	2,370,128	19,660,894
Food Service	0	0	1,359,503	1,359,503
Other Grants	0	0	44,806	44,806
Latchkey	0	0	642,855	642,855
Athletics	0	0	171,338	171,338
Other	0	0	332,997	332,997
Total Restricted	<u>0</u>	<u>17,290,766</u>	<u>7,799,987</u>	<u>25,090,753</u>
Committed for:				
Underground Storage	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>11,000</u>
Assigned for:				
Encumbrances:				
Instructional	555,358	0	0	555,358
Support Services	420,569	0	0	420,569
Non-instructional	20	0	0	20
Extracurricular Activities	36	0	0	36
Other Purposes	162,011	0	0	162,011
Total Assigned	<u>1,137,994</u>	<u>0</u>	<u>0</u>	<u>1,137,994</u>
Unassigned	<u>11,987,765</u>	<u>0</u>	<u>(18,270)</u>	<u>11,969,495</u>
Total Fund Balance	<u>\$13,136,759</u>	<u>\$ 17,290,766</u>	<u>\$7,781,717</u>	<u>\$ 38,209,242</u>

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than restricted, committed or assigned of fund balance for (GAAP basis).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance

GAAP Basis	\$ 2,277,038
Net adjustments for revenue accruals	(1,190,715)
Net adjustments for expenditure accruals	(178,322)
Funds budgeted elsewhere**	(38,910)
Adjustments for encumbrances	<u>(1,293,127)</u>
Budget Basis	<u><u>\$ (424,036)</u></u>

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes miscellaneous trusts, uniform school supplies, rotary shared services, public school support, and underground storage.

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this state or its political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances for a period not to exceed one hundred and eighty days and commercial papers not to exceed two hundred seventy days from the purchase date in any amount not to exceed 40% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits - At year-end, \$2,936,939 of the School District's bank balance of \$3,876,711 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

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

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

Cash with Fiscal Agent - The School District had \$1,064,390 in cash with fiscal agent related to the Internal Service Fund. These funds are held by Great Lakes Council of Governments who is the third party responsible for medical/dental claims.

Segregated Cash - The building fund also maintained \$17,296,611 separately from the School District's deposits. The carrying amount of the deposit is reported as "Cash in Segregated Accounts."

Cash with Escrow Agent - The capital projects fund has \$381,748 of its balance that is separately maintained from the School District's deposits. The carrying amount of the deposit is reported as "Cash with Escrow Agent." This is also included in the investment note below.

Investments

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

Rating by S&P	Investment	Measurement Amount	Investment Maturities in Years			Percent of Total
			(<1)	(1-3)	(>3)	
Global Ratings						
	Net Asset Value (NAV):					
AAAm	STAR Ohio	\$ 25,729,382	\$ 25,729,382	\$ 0	\$ 0	83.08%
AAAm	First American Government Obligation	11,324	11,324	0	0	0.04%
AAAm	Federated Treasury Obligation	381,748	381,748	0	0	1.23%
	Fair Value:					
N/A	Negotiable CD's	1,688,688	245,681	1,092,495	350,512	5.45%
N/A	US Treasury Note	1,659,367	1,659,367	0	0	5.36%
AAA	FHLMC	511,591	511,591	0	0	1.65%
AAA	FNMA	250,328	0	250,328	0	0.81%
AAA	FFCB	384,901	0	384,901	0	1.24%
AAA	FHLB	352,569	352,569	0	0	1.14%
		<u>\$ 30,969,898</u>	<u>\$ 28,891,662</u>	<u>\$ 1,727,724</u>	<u>\$ 350,512</u>	<u>100.00%</u>

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

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inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2020. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk. Is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2020, is 42 days.

The weighted average of maturity for the Federated Treasury Obligation is 44 days.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer.

NOTE 7: PROPERTY TAXES

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

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

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

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

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Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

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

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 932,733,330	98.05%	\$ 947,196,620	97.98%
Public Utility Personal Property	18,574,930	1.95%	19,486,970	2.02%
	\$ 951,308,260	100.00%	\$ 966,683,590	100.00%
Full Tax Rate per \$1,000 of assessed value	\$ 55.35		\$ 59.65	

NOTE 8: RECEIVABLES

Receivables at June 30, 2020 consisted of property taxes, payment in lieu of taxes, accounts, interfund and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

NOTE 9: INTERFUND ACTIVITY

Interfund Balances

Interfund balances at June 30, 2020 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 5,108	\$ 0
Nonmajor Governmental Funds:		
IDEA	0	5,108
	\$ 5,108	\$ 5,108

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The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the Statement of Net Position.

Interfund Transfers

Transfers made during fiscal year 2020 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 400,000
Nonmajor Governmental Funds:		
Permanent Improvement Fund	400,000	0
	\$ 400,000	\$ 400,000

These transfers were made to move unrestricted balances to fund projects accounted for in the permanent improvement fund.

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Avon Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 10: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 3,603,900	\$ 0	\$ 0	\$ 3,603,900
Construction in Progress	34,258	446,384	(34,258)	446,384
<i>Total Capital Assets, Not Being Depreciated</i>	3,638,158	446,384	(34,258)	4,050,284
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,583,416	413,501	0	2,996,917
Buildings and Improvements	96,012,770	131,758	0	96,144,528
Furniture and Equipment	2,399,025	50,182	(5,200)	2,444,007
Vehicles	3,195,412	83,805	(30,888)	3,248,329
<i>Total Capital Assets, Being Depreciated</i>	104,190,623	679,246	(36,088)	104,833,781
<i>Accumulated Depreciation</i>				
Land Improvements	(830,246)	(130,296)	0	(960,542)
Buildings and Improvements	(25,052,473)	(2,075,950)	0	(27,128,423)
Furniture and Equipment	(1,397,103)	(202,842)	5,200	(1,594,745)
Vehicles	(2,327,701)	(137,643)	30,888	(2,434,456)
<i>Total Accumulated Depreciated</i>	(29,607,523)	(2,546,731)	36,088	(32,118,166)
<i>Total Capital Assets Being Depreciated, Net</i>	74,583,100	(1,867,485)	0	72,715,615
<i>Governmental Activities, Capital Assets, Net</i>	\$ 78,221,258	\$ (1,421,101)	\$ (34,258)	\$ 76,765,899

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,952,521
Special	1,099
Support Services:	
Pupils	2,129
Instructional Staff	24,782
Board of Education	10,122
Administration	19,709
Fiscal	310
Operations and Maintenance of Plant	78,957
Pupil Transportation	163,968
Central	2,563
Operation of Non-Instructional Services:	
Food Service Operation	12,359
Community Services	7,479
Extracurricular Activities	270,733
Total Depreciation	\$ 2,546,731

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11: LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issuance and date of maturity for each of the School District's long-term obligations follow:

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds:				
School Improvement Refunding				
Capital Appreciation	2007	17.43%	119,991	12/01/20
School Improvement Refunding Taxable Serial	2013B	.40% - 4.00%	3,260,000	12/01/20
School Improvement				
Serial and Term	2013A	2.00% - 3.00%	33,945,000	12/01/41
Capital Appreciation	2013A	2.53% - 17.22%	3,073,980	12/01/30
School Improvement Refunding				
Serial and Term	2014	1.00% - 4.00%	9,000,000	12/01/29
Capital Appreciation	2014	2.00%	134,895	12/01/21
School Improvement Refunding				
Serial and Term	2016	1.00% - 4.00%	7,730,000	12/01/29
Direct Borrowings:				
Lease Purchase Agreement - Buses	2015	2.716%	427,340	07/17/19
Lease Purchase Agreement - Buses	2019	3.31%	359,437	04/01/22
Lease Purchase Agreement - Chromebooks	2019	3.50%	159,936	03/01/21
Lease Purchase Agreement - Buses	2020	2.67%	381,748	07/01/24
Bond Anticipation Notes	2019	2.00%	9,785,000	09/30/20
Bond Anticipation Notes	2020	2.00%	7,715,000	09/30/20

The original amount of school improvement refunding issued in 2007 was \$12,449,991 and included serial and capital appreciation bonds. The serial bonds were refunded in fiscal year 2017.

During 2013, the School District issued \$3,260,000 of general obligation refunding bonds to provide resources to purchase US government securities that were placed in an escrow account for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities of the statement of net position.

The original amount of school improvement refunding issued was \$37,018,980 and included serial and capital appreciation bonds. The serial bonds were refunded in fiscal year 2013.

During 2015, the School District advance refunded portions of certain general obligation bonds issued in 2006 with a new general obligation bond issue. The School District issued \$9,134,985 of general obligation school refunding bonds to provide resources to purchase U.S. government securities that were placed in escrow for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The advance refunding was undertaken to reduce total debt service payments over the 22 years by \$1,346,018 and to obtain an economic gain of \$147,940.

The School District defeased 1996 general obligation bonds in 2004, in 2007 defeased 2000 and 2003 general obligation bonds, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds and in 2013 defeased 2004 refunding general obligation bonds by placing the proceeds of the new bonds in an escrow fund. Accordingly, the trust/escrow fund account assets and liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2020, \$16,555,000 of bonds outstanding are considered to be defeased.

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During fiscal year 2017, the School District issued \$7,730,000 of school improvement refunding bonds. The bond proceeds were used to retire the 2007 School Improvement Refunding and the 2006 School Improvement Bond. The bonds were issued with a premium of \$988,859. Interest payments are due on June 1 and December 1 of each year. The final maturity stated on the issue is December 1, 2029.

The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,433,693. The issuance resulted in an economic gain of \$1,299,216.

On July 17, 2015, the School District entered into a lease purchase agreement in the amount of \$427,340 for buses. Interest payments on the outstanding principal are due annual at the rate of 2.716 percent. The final maturity for the lease is July 17, 2019. In the event of default, as defined by the lease agreement, the Lessor has the right to exercise all rights and remedies noted within the agreement, including but not limited to, the rights to declare all sums due during the School District's current fiscal period and/or take possession of the buses.

On May 10, 2018, the School District entered into a lease purchase agreement in the amount of \$359,437 for buses. Interest payments on the outstanding principal are due annual at the rate of 3.31 percent. The final maturity for the lease is April 1, 2022. In the event of default, as defined by the lease agreement, the Lessor has the right to exercise all rights and remedies noted within the agreement, including but not limited to, the rights to declare all sums due during the School District's current fiscal period and/or take possession of the buses.

On February 25, 2019, the School District entered into a lease purchase agreement in the amount of \$159,936 for Chromebooks. Interest payments on the outstanding principal are due annual at the rate of 3.50 percent. The final maturity for the lease is March 1, 2021. In the event of default, as defined by the lease agreement, the Lessor has the right to exercise all rights and remedies, including the rights to declare all sums due during the School District's current fiscal period and/or take possession of the Chromebooks.

On March 23, 2020, the School District entered into a lease purchase agreement in the amount of \$381,748 for buses. Interest payments on the outstanding principal are due annual at the rate of 2.67 percent. The final maturity for the lease is July 1, 2024. In the event of default, as defined by the lease agreement, the Lessor has the right to exercise all rights and remedies noted within the agreement, including but not limited to, the rights to declare all sums due during the School District's current fiscal period and/or take possession of the buses.

Bond Anticipation Notes

During fiscal year 2020, the School District issued \$9,785,000 and \$7,715,000 of school improvement bond anticipation notes with an interest rate of 2.0 percent. The note proceeds were used for the purpose of improving school district buildings and facilities. The final maturity for these notes are September 30, 2020.

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Changes in the School District's long-term obligations during fiscal year 2020 were as follows:

	Balance 6/30/19	Additions	Reductions	Balance 6/30/20	Amounts Due in One Year
Governmental Activities:					
<i>General Obligation Bonds:</i>					
School Improvement Refunding Bonds - 2007					
Capital Appreciation Bonds	\$ 119,990	\$ 0	\$ 86,598	\$ 33,392	\$ 33,393
Accretion on Capital Appreciation Bonds	830,398	97,229	648,402	279,225	0
Total School Improvement Bonds - 2007	<u>950,388</u>	<u>97,229</u>	<u>735,000</u>	<u>312,617</u>	<u>33,393</u>
School Improvement Bond - 2013					
Serial Bond	2,085,000	0	1,015,000	1,070,000	1,070,000
School Improvement Refunding Bonds - 2013					
Serial Bonds	33,895,000	0	10,000	33,885,000	565,000
Capital Appreciation Bonds	3,073,980	0	0	3,073,980	0
Accretion on Capital Appreciation Bonds	1,225,608	275,138	0	1,500,746	0
Unamortized Premium	2,074,653	0	94,302	1,980,351	0
Total School Improvement Refunding Bonds - 2013	<u>40,269,241</u>	<u>275,138</u>	<u>104,302</u>	<u>40,440,077</u>	<u>565,000</u>
School Improvement Refunding Bonds - 2014					
Serial Bonds	8,760,000	0	365,000	8,395,000	480,000
Capital Appreciation Bonds	134,985	0	0	134,985	0
Accretion on Capital Appreciation Bonds	174,207	62,528	0	236,735	0
Unamortized Premium	646,641	0	43,109	603,532	0
Total School Improvement Refunding Bonds - 2014	<u>9,715,833</u>	<u>62,528</u>	<u>408,109</u>	<u>9,370,252</u>	<u>480,000</u>
School Improvement Refunding Bonds - 2016					
Serial Bonds	5,900,000	0	275,000	5,625,000	0
Unamortized Premium	776,960	0	70,633	706,327	0
Total School Improvement Refunding Bonds - 2016	<u>6,676,960</u>	<u>0</u>	<u>345,633</u>	<u>6,331,327</u>	<u>0</u>
Total General Obligation Bonds	<u>59,697,422</u>	<u>434,895</u>	<u>2,608,044</u>	<u>57,524,273</u>	<u>2,148,393</u>
<i>Direct Borrowings:</i>					
Lease Purchase - Buses	87,727	0	87,727	0	0
Lease Purchase - Buses	272,968	0	88,043	184,925	90,957
Lease Purchase - Chromebooks	104,841	0	51,519	53,322	53,322
Lease Purchase - Buses	0	381,748	0	381,748	0
Bond Anticipation Notes	0	9,785,000	0	9,785,000	9,785,000
Bond Anticipation Notes	0	7,715,000	0	7,715,000	7,715,000
Total Direct Borrowings	<u>465,536</u>	<u>17,881,748</u>	<u>227,289</u>	<u>18,119,995</u>	<u>17,644,279</u>
<i>Net Pension/OPEB Liability:</i>					
Pension	44,121,501	2,008,344	0	46,129,845	0
OPEB	4,600,533	0	208,973	4,391,560	0
Total Net Pension/OPEB Liability	<u>48,722,034</u>	<u>2,008,344</u>	<u>208,973</u>	<u>50,521,405</u>	<u>0</u>
<i>Other Long-term Obligations:</i>					
Compensated Absences	3,340,792	391,896	167,650	3,565,038	175,289
Total Governmental Activities	<u>\$ 112,225,784</u>	<u>\$ 20,716,883</u>	<u>\$ 3,211,956</u>	<u>\$ 129,730,711</u>	<u>\$ 19,967,961</u>

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The bonds payable and the direct borrowings will be repaid from the General Fund, Debt Service Fund and Permanent Improvement Fund, respectively. The compensated absences will be repaid from the funds from which employees' salaries are paid. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

Debt service requirements, including principal and interest, to retire bonds payable and direct borrowings at June 30, 2020, consisted of:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds			Direct Borrowings - Lease Purchases		
	Principal	Interest	Total	Principal	Accretion	Total	Principal	Interest	Total
2021	\$ 2,115,000	\$ 1,764,474	\$ 3,879,474	\$ 33,393	\$ 301,607	\$ 335,000	\$ 144,279	\$ 7,987	\$ 152,266
2022	585,000	1,727,401	2,312,401	551,801	458,199	1,010,000	183,613	16,077	199,690
2023	1,185,000	1,703,274	2,888,274	378,565	121,435	500,000	94,814	7,799	102,613
2024	1,325,000	1,661,074	2,986,074	347,797	142,203	490,000	97,345	5,268	102,613
2025	1,070,000	1,622,475	2,692,475	594,476	295,524	890,000	99,944	2,669	102,613
2026-2030	7,605,000	7,350,475	14,955,475	1,212,612	3,077,388	4,290,000	0	0	0
2031-2035	13,645,000	5,419,924	19,064,924	123,713	2,216,287	2,340,000	0	0	0
2036-2040	15,030,000	2,482,001	17,512,001	0	0	0	0	0	0
2041-2043	6,415,000	219,663	6,634,663	0	0	0	0	0	0
	<u>\$ 48,975,000</u>	<u>\$ 23,950,761</u>	<u>\$ 72,925,761</u>	<u>\$ 3,242,357</u>	<u>\$ 6,612,643</u>	<u>\$ 9,855,000</u>	<u>\$ 619,995</u>	<u>\$ 39,800</u>	<u>\$ 659,795</u>

NOTE 12: RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2020, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for their insurance needs. The plan covered a liability aggregate limit of \$17,000,000. Vehicles were covered at a \$15,000,000 combined single limit liability. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

A performance bond is maintained for the Treasurer. The bond for the Treasurer is held by the Hartford Fire Insurance Company in the amount of \$25,000.

Workers' Compensation

The School District participates in the Ohio Bureau of Workers' Compensation (BWC). During fiscal year 2020, the School District was involved with Comp Management Health Systems for both Third Party Administrator and Managed Care Organization services.

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Employee Medical Benefits

The School District participates in the Great Lakes Council of Governments (the Council), to process and pay health benefit claims incurred by its members. The Council contracted with a third party administrator, Medical Mutual Services, LLC for the year ended June 30, 2020. Payments are made by members to the Council for monthly health insurance premiums, monthly stop-loss premiums, and administrative charges. The Fiscal Officer approves monthly payments to the third party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Council members. If the members aggregate contributions less expenses cause it to have a negative cash balance, the Council shall direct the Fiscal Agent to promptly notify in writing each member of any additional funds necessary to correct the deficiency. Whereupon each Member shall appropriate (pursuant to Chapter 5705 of the Revised Code) the amount stated in that notice and remit the same to the Fiscal Agent within the time periods determined by the Council. The Council employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Council to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

As of June 30, 2020, claims outstanding were \$635,994. The liability is the School District's best estimate based on available information. Changes in claims activity for fiscal years ended June 30, 2019 and 2020 are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2019	\$ 504,182	\$ 7,672,090	\$ 7,524,747	\$ 651,525
2020	\$ 651,525	\$ 6,476,248	\$ 6,491,779	\$ 635,994

NOTE 13: DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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

The School District's contractually required contribution to SERS was \$819,380 for fiscal year 2020. Of this amount, \$65,372 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,887,999 for fiscal year 2020. Of this amount, \$504,168 is reported as an intergovernmental payable.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.17027610%	0.16252726%	
Prior Measurement Date	<u>0.16290530%</u>	<u>0.15823177%</u>	
Change in Proportionate Share	<u>0.00737080%</u>	<u>0.00429549%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 10,187,918	\$ 35,941,927	\$ 46,129,845
Pension Expense	\$ 1,995,657	\$ 6,032,373	\$ 8,028,030

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Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and			
Actual Experience	\$ 258,345	\$ 292,627	\$ 550,972
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	0	0	0
Changes of Assumptions	0	4,222,073	4,222,073
Changes in Proportion and Differences between			
School District Contributions and Proportionate			
Share of Contributions	329,996	1,865,538	2,195,534
School District Contributions Subsequent to the			
Measurement Date	819,380	2,887,999	3,707,379
Total Deferred Outflows of Resources	\$ 1,407,721	\$ 9,268,237	\$ 10,675,958
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 0	\$ 155,585	\$ 155,585
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	130,775	1,756,648	1,887,423
Changes in Proportion and Differences between			
School District Contributions and Proportionate			
Share of Contributions	0	122,491	122,491
Total Deferred Inflows of Resources	\$ 130,775	\$ 2,034,724	\$ 2,165,499

\$3,707,379 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 536,983	\$ 2,959,098	\$ 3,496,081
2022	(144,879)	814,843	669,964
2023	(8,703)	201,611	192,908
2024	74,165	369,962	444,127
	<u>\$ 457,566</u>	<u>\$ 4,345,514</u>	<u>\$ 4,803,080</u>

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

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

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

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

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 14,276,915	\$ 10,187,918	\$ 6,758,782

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Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to

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make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 52,525,123	\$ 35,941,927	\$ 21,903,403

NOTE 14: DEFINED BENEFIT OPEB PLANS

See Note 13 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the

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Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$116,425, which is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.17462930%	0.16252726%	
Prior Measurement Date	0.16582860%	0.15823177%	
Change in Proportionate Share	<u>0.00880070%</u>	<u>0.00429549%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 4,391,560	\$ (2,691,841)	
OPEB Expense	\$ 234,082	\$ (665,792)	\$ (431,710)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 64,464	\$ 244,035	\$ 308,499
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	10,542	0	10,542
Changes of Assumptions	320,753	56,582	377,335
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	318,646	231,438	550,084
School District Contributions Subsequent to the Measurement Date	116,425	0	116,425
Total Deferred Outflows of Resources	<u>\$ 830,830</u>	<u>\$ 532,055</u>	<u>\$ 1,362,885</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 964,794	\$ 136,952	\$ 1,101,746
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	169,066	169,066
Changes of Assumptions	246,091	2,951,287	3,197,378
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	120,430	120,430
Total Deferred Inflows of Resources	<u>\$ 1,210,885</u>	<u>\$ 3,377,735</u>	<u>\$ 4,588,620</u>

\$116,425 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (168,395)	\$ (622,022)	\$ (790,417)
2022	(73,262)	(622,024)	(695,286)
2023	(70,166)	(554,262)	(624,428)
2024	(70,672)	(530,499)	(601,171)
2025	(76,551)	(509,046)	(585,597)
Thereafter	(37,434)	(7,827)	(45,261)
	<u>\$ (496,480)</u>	<u>\$ (2,845,680)</u>	<u>\$ (3,342,160)</u>

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Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment

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expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

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

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 5,330,511	\$ 4,391,560	\$ 3,644,970

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 3,518,523	\$ 4,391,560	\$ 5,549,851

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (2,296,947)	\$ (2,691,837)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (3,052,420)	\$ (2,691,837)	\$ (2,250,211)

NOTE 15: JOINTLY GOVERNED ORGANIZATIONS

Connect

Connect, is a jointly governed computer service bureau known as an Information Technology Center (ITC) that was formed for the purpose of providing data services to its members. Major areas of service provided by Connect include accounting, payroll, inventory, career guidance services, handicapped student tracking,

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pupil scheduling, attendance reporting and grade reporting. The Education Service Center of Cuyahoga County continues to serve as the fiscal agent of Connect. Participating school districts pay for services provided by the ITC based upon a per pupil charge dependent upon the software packages and services used. In fiscal year 2020, the School District paid \$109,980.50 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. Its Board of Education consists of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. Avon Local School District students may attend the vocational school. Each school district's control is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District located at 15181 State Route 58, Oberlin, Ohio 44074.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of seven superintendents of the participating districts whose term rotates every fiscal year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2020, the School District paid \$101,540 for participation in the prepaid natural gas program.

The School District participates in the Council's electric purchase program.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2011. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs. Financial information can be obtained by contacting the Executive Secretary at the Ohio Schools Council at 6133 Rockside Road, Independence, Ohio 44131.

Great Lakes Council of Governments

The Great Lakes Council of Governments, (the Council) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code. The Council is a claims-servicing pool as

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defined by Government Accounting Standards Board Statement No.10 as amended by GASB statement 30. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Council-by-laws. The Council is directed by a Governing Board, consisting of the Superintendents or designee of the participating school districts. As of June 30, 2020, there were five participating members of the Council.

The Council is committed to providing its member districts with the advantages of a large buying cooperative, while maintaining control by the local district leadership. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Council is committed to protecting the long -term financial interests of its core members, and will not admit a new member that will adversely impact premiums and claims payments.

Members pay monthly premiums (program costs) that are placed in a common fund from which eligible claims are paid for member employees and their covered dependents. Claims are paid for all participants regardless of claims flow. The Board of Directors annually estimate and set the amount of funds necessary in order to have funds available to pay all claims which could be made under the Health Benefits Plan by covered persons which would not be paid aggregate and specific stop-loss insurance coverage, and said amounts will be placed in a reserve fund.

The Council issues its own financial statements. Fiscal information can be obtained by contacting the Treasurer of the Berea City School District, Fiscal Officer, Great Lakes Council of Governments, 390 Fair Street, Berea, OH 44017.

NOTE 16: CONTINGENCIES

Grants

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

Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

School Foundation

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are finalized.

Avon Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 17: SET-ASIDES

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

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

	Capital Improvement Reserve
Set-Aside Restricted Balance, June 30, 2019	\$ 0
Current Year Set-Aside Requirement	785,384
Current Year Offset	(996,244)
Total	<u>\$ (210,860)</u>
Balance Carried Forward to Fiscal Year 2021	<u>\$ 0</u>
Set-Aside Restricted Balance June 30, 2020	<u>\$ 0</u>

Although the School District had offsets during the fiscal year that reduced the set aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 18: COMMITMENTS

Encumbrances

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance.

At fiscal year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General	\$ 982,648
Building Fund	1,019,930
Nonmajor Governmental	540,203
	<u>\$ 2,542,781</u>

Avon Local School District
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Contractual Commitments

The School District had outstanding contractual commitments for renovations and improvements as follows:

	Contractual Commitment	Expended	Balance 6/30/2020
Dunlop & Johnston	\$ 16,994,257	\$ 142,036	\$ 16,852,221
Architectural Vision Group	1,136,632	171,872	964,760
Fieldturf USA, Inc	383,941	0	383,941

Based on timing of when contracts are encumbered, the contractual commitment identified above may or may not be included in the outstanding encumbrance commitments disclosed in this note.

NOTE 19: TAX ABATEMENTS

School District property taxes were reduced under Enterprise Zone agreements entered into by an overlapping government – the City of Avon. As a result of the agreements, the School District had \$1,105,767 in taxes abated for fiscal year 2020.

NOTE 20: SUBSEQUENT EVENTS

In August of 2020 the School District issued and sold \$9,685,000 (par value) of bonds for the purpose of paying off the school improvement bond anticipation note issued in December 2019. The bonds will mature December 1, 2056 and have variable interest rate of 2.375 to 4.0 percent. Additionally, \$7,715,000 (par value) of bonds were issued in September 2020 for the purpose of paying off the school improvement bond anticipation note issued in February 2020. The bonds will mature on December 1, 2056 and have a variable interest rate of 1.5 to 3.0 percent.

The School District entered into a lease agreement in March 2020 for construction and servicing of a fiber network. As of June 30, 2020, construction had not begun on the fiber network and the School District’s financial obligation of \$287,494 will not be due until construction begins.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District. The School District’s investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant fluctuation in fair value, consistent with the general fluctuation in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, due to the dynamic environment and changes in fiscal policies, the exact impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

Avon Local School District
Lorain County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>School Employees Retirement System (SERS)</i>							
School District's Proportion of the Net Pension Liability	0.17027610%	0.16290530%	0.15980040%	0.15639830%	0.14782200%	0.14687600%	0.14687600%
School District's Proportionate Share of the Net Pension Liability	\$ 10,187,918	\$ 9,329,888	\$ 9,547,721	\$ 11,446,912	\$ 8,434,867	\$ 7,433,311	\$ 8,734,244
School District's Covered Payroll	\$ 5,933,578	\$ 5,546,193	\$ 5,298,207	\$ 5,290,686	\$ 6,133,991	\$ 4,130,512	\$ 3,946,040
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.70%	168.22%	180.21%	216.36%	137.51%	179.96%	221.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
<i>State Teachers Retirement System (STRS)</i>							
School District's Proportion of the Net Pension Liability	0.16252726%	0.15823177%	0.15043827%	0.15132353%	0.14470975%	0.14056987%	0.14056987%
School District's Proportionate Share of the Net Pension Liability	\$ 35,941,927	\$ 34,791,613	\$ 35,736,933	\$ 50,652,547	\$39,993,542	\$34,191,457	\$40,728,640
School District's Covered Payroll	\$ 18,982,471	\$ 18,318,543	\$ 16,337,129	\$ 15,095,921	\$15,912,014	\$14,636,462	\$13,911,054
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.34%	189.93%	218.75%	335.54%	251.34%	233.60%	292.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Avon Local School District
Lorain County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 819,380	\$ 801,033	\$ 748,736	\$ 741,749
Contributions in Relation to the Contractually Required Contribution	<u>(819,380)</u>	<u>(801,033)</u>	<u>(748,736)</u>	<u>(741,749)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,852,714	\$ 5,933,578	\$ 5,546,193	\$ 5,298,207
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 2,887,999	\$ 2,657,546	\$ 2,564,596	\$ 2,287,198
Contributions in Relation to the Contractually Required Contribution	<u>(2,887,999)</u>	<u>(2,657,546)</u>	<u>(2,564,596)</u>	<u>(2,287,198)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 20,628,564	\$ 18,982,471	\$ 18,318,543	\$ 16,337,129
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 740,696	\$ 808,460	\$ 572,489	\$ 546,132	\$ 483,865	\$ 455,180
<u>(740,696)</u>	<u>(808,460)</u>	<u>(572,489)</u>	<u>(546,132)</u>	<u>(483,865)</u>	<u>(455,180)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,290,686	\$ 6,133,991	\$ 4,130,512	\$ 3,946,040	\$ 3,597,509	\$ 3,621,161
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$ 2,113,429	\$ 2,227,682	\$ 1,902,740	\$ 1,808,437	\$ 1,617,680	\$ 1,721,042
<u>(2,113,429)</u>	<u>(2,227,682)</u>	<u>(1,902,740)</u>	<u>(1,808,437)</u>	<u>(1,617,680)</u>	<u>(1,721,042)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 15,095,921	\$ 15,912,014	\$ 14,636,462	\$ 13,911,054	\$ 12,443,692	\$ 13,238,785
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

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Avon Local School District
Lorain County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Four Fiscal Years (1)

	2020	2019	2018	2017
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net OPEB Liability	0.17462930%	0.16582860%	0.16263580%	0.15835890%
School District's Proportionate Share of the Net OPEB Liability	\$ 4,391,560	\$ 4,600,533	\$ 4,364,718	\$ 4,513,815
School District's Covered Payroll	\$ 5,933,578	\$ 5,546,193	\$ 5,298,207	\$ 5,290,686
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	74.01%	82.95%	82.38%	85.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net OPEB Liability (Asset)	0.16252726%	0.15823177%	0.15043827%	0.15132353%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (2,691,837)	\$ (2,542,623)	\$ 5,869,546	\$ 8,092,822
School District's Covered Payroll	\$ 18,982,471	\$ 18,318,543	\$ 16,337,129	\$ 15,095,921
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.18%	-13.88%	35.93%	53.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Avon Local School District
Lorain County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution (1)	\$ 116,425	\$ 136,864	\$ 119,812	\$ 90,839
Contributions in Relation to the Contractually Required Contribution	<u>(116,425)</u>	<u>(136,864)</u>	<u>(119,812)</u>	<u>(90,839)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,852,714	\$ 5,933,578	\$ 5,546,193	\$ 5,298,207
OPEB Contributions as a Percentage of Covered Payroll (1)	1.99%	2.31%	2.16%	1.71%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 20,628,564	\$ 18,982,471	\$ 18,318,543	\$ 16,337,129
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 79,557	\$ 32,684	\$ 5,783	\$ 29,201	\$ 26,981	\$ 27,132
<u>(79,557)</u>	<u>(32,684)</u>	<u>(5,783)</u>	<u>(29,201)</u>	<u>(26,981)</u>	<u>(27,132)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,290,686	\$ 6,133,991	\$ 4,130,512	\$ 3,946,040	\$ 3,597,509	\$ 3,621,161
1.50%	0.53%	0.14%	0.74%	0.75%	0.75%
\$ 0	\$ 0	\$ 146,365	\$ 139,111	\$ 124,437	\$ 132,388
<u>0</u>	<u>0</u>	<u>(146,365)</u>	<u>(139,111)</u>	<u>(124,437)</u>	<u>(132,388)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 15,095,921	\$ 15,912,014	\$ 14,636,462	\$ 13,911,054	\$ 12,443,692	\$ 13,238,785
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

Avon Local School District
Lorain County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

**Avon Local School District
Lorain County, Ohio**

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020*

Note 2 - Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

**Avon Local School District
Lorain County, Ohio**

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020*

Changes in Benefit Terms – STRS

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

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

**AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 35,578
COVID-19 School Breakfast Program	10.553	N/A	27,046
National School Lunch Program	10.555	N/A	226,819
COVID-19 National School Lunch Program	10.555	N/A	61,879
National School Lunch Program - Non-Cash	10.555	N/A	74,174
Total Child Nutrition Cluster			<u>425,496</u>
Total U.S. Department of Agriculture			<u>425,496</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Education Agencies - 2019	84.010	N/A	13,088
Title I Grants to Local Education Agencies - 2020	84.010	N/A	169,402
Total Title I Grants to Local Education Agencies			<u>182,490</u>
Special Education Cluster (IDEA):			
Special Education - Grant to States (IDEA, Part B) - 2019	84.027	N/A	161,760
Special Education - Grant to States (IDEA, Part B) - 2020	84.027	N/A	692,787
Total Special Education - Grants to States (IDEA, Part B)			<u>854,547</u>
Special Education - Subpart Awards Grants (6B IDEA Restoration) - 2019	84.027A	N/A	6,951
Special Education - Subpart Awards Grants (6B IDEA Restoration) - 2020	84.027A		114,531
Total Special Education - Subpart Awards Grants (6B IDEA Restoration)			<u>121,482</u>
Special Education - Preschool Subpart Awards Grants (Preschool Restoration) - 2019	84.173A	N/A	438
Special Education - Preschool Subpart Awards Grants (Preschool Restoration) - 2020	84.173A	N/A	37,430
Total Special Education - Preschool Subpart Awards Grants (Preschool Restoration)			<u>37,868</u>
Total Special Education Cluster (IDEA)			<u>1,013,897</u>
Title II, Part A, Supporting Effective Instruction State Grants - 2019	84.367	N/A	110
Title II, Part A, Supporting Effective Instruction State Grants - 2020	84.367	N/A	49,372
Total Title II, Part A, Supporting Effective Instruction State Grants			<u>49,482</u>
Student Support and Academic Enrichment Program - 2019	84.424	N/A	5,349
Student Support and Academic Enrichment Program - 2020	84.424	N/A	3,220
Total Student Support and Academic Enrichment Program			<u>8,569</u>
COVID-19 Elementary and Secondary Emergency Relief Fund – 2020	84.425D	N/A	72,534
Total COVID-19 Elementary and Secondary Emergency Relief Fund			<u>72,534</u>
Passed through Educational Service Center of Lorain County			
English Language Acquisition State Grants - 2020	84.365	N/A	8,973
Total English Language Acquisition State Grants			<u>8,973</u>
Total U.S. Department of Education			<u>1,335,945</u>
Total Expenditures of Federal Awards			<u>\$ 1,761,441</u>

The accompanying notes are an integral part of this schedule.

**AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

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

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Special Education - Grants to States (IDEA, Part B)	84.027	\$ 14,160
Special Education - Subpart Awards Grants (6B IDEA Restoration)	84.027A	\$103,888
Special Education - Preschool Subpart Awards Grants (Preschool Restoration)	84.173A	\$ 25,383
Title, II, Part A, Supporting Effective Instruction State Grants	84.367	\$ 16,901
Student Support and Academic Enrichment Program	84.424	\$ 2,244



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

Avon Local School District
Lorain County
35573 Detroit Road
Avon, Ohio 44011

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Local School District, Lorain County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated March 26, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

Avon Local School District
Lorain County
35573 Detroit Road
Avon, Ohio 44011

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Avon Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2021

**AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (IDEA): Special Education-Grants to States (IDEA Part B)/CFDA #84.027 Special Education-Subpart Awards Grants (6B IDEA Restoration)/CFDA #84.027A Special Education-Preschool Subpart Awards Grants (Preschool Restoration)/CFDA #84.173A
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE KEITH FABER



AVON LOCAL SCHOOL DISTRICT

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/13/2021

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This report is a matter of public record and is available online at
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