



OHIO AUDITOR OF STATE
KEITH FABER



**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2020**

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ASHTABULA COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue West
Orwell, Ohio 44076

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 Grand Valley Local School District, Ashtabula 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Classroom Facilities Maintenance 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 25 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 February 10, 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

February 10, 2021

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Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The management's discussion and analysis of Grand Valley 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 financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Highlights for fiscal year 2020 are as follows:

- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment.
- The School District had a decrease of 47 students in enrollment from fiscal year 2019 to fiscal year 2020.

Using this Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Grand Valley Local School District as a financial whole, or complete 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 and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain 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 non-major funds presented in total in one column. In the case of Grand Valley Local School District, the general, classroom facilities maintenance special revenue and bond retirement debt service funds are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in the 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 performance, demographic and socioeconomic factors and willingness of the community to support the School District.

Grand Valley Local School District
Management's Discussion and Analysis
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Unaudited

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. 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, the classroom facilities maintenance special revenue fund and the bond retirement debt service fund.

Governmental Funds Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are 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.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The School District's fiduciary funds are private purpose trust and agency which accounts for college scholarships and student activities, respectively.

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison 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	\$11,882,258	\$12,582,950	(\$700,692)
Capital Assets	21,819,164	23,845,665	(2,026,501)
Net OPEB Asset	717,439	707,346	10,093
<i>Total Assets</i>	\$34,418,861	\$37,135,961	(\$2,717,100)

(continued)

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 1
 Net Position (continued)
 Governmental Activities

	2020	2019	Change
Deferred Outflows of Resources			
Deferred Charge on Refunding	\$236,280	\$288,787	(\$52,507)
Pension	2,368,321	3,217,871	(849,550)
OPEB	231,131	161,213	69,918
<i>Total Deferred Outflows of Resources</i>	<u>2,835,732</u>	<u>3,667,871</u>	<u>(832,139)</u>
Liabilities			
Current Liabilities	1,476,994	2,763,885	1,286,891
Long-Term Liabilities			
Due within One Year	944,465	913,541	(30,924)
Due in More than One Year:			
Net Pension Liability	12,433,817	12,302,549	(131,268)
Net OPEB Liability	1,183,385	1,292,784	109,399
Other Amounts Due in More Than One Year	4,948,588	5,754,629	806,041
<i>Total Liabilities</i>	<u>20,987,249</u>	<u>23,027,388</u>	<u>2,040,139</u>
Deferred Inflows of Resources			
Property Taxes	3,152,996	3,231,503	78,507
Pension	1,073,979	1,331,584	257,605
OPEB	1,344,333	1,396,405	52,072
<i>Total Deferred Inflows of Resources</i>	<u>5,571,308</u>	<u>5,959,492</u>	<u>388,184</u>
Net Position			
Net Investment in Capital Assets	17,935,989	18,253,828	(317,839)
Restricted for:			
Capital Projects	522,201	1,375,000	(852,799)
Debt Service	2,421,961	2,693,158	(271,197)
Other Purposes	2,038,051	991,277	1,046,774
Unrestricted (Deficit)	<u>(12,222,166)</u>	<u>(11,496,311)</u>	<u>(725,855)</u>
<i>Total Net Position</i>	<u>\$10,696,036</u>	<u>\$11,816,952</u>	<u>(\$1,120,916)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Grand Valley Local School District
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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. As explained previously, 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.

Overall, the position of the School District decreased, as evidenced by the decrease in net position. This is largely because of a decrease in restricted net positions, resulting primarily from an increase in the net pension and net OPEB liabilities.

Table 2 shows the changes in net position for fiscal year 2020 compared to 2019.

Table 2
Change in Net Position
Governmental Activities

	2020	2019	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$1,221,054	\$1,316,658	(\$95,604)
Operating Grants, Contributions and Interest	1,989,195	1,616,942	372,253
Capital Grants	13,544	13,806	(262)
Total Program Revenues	<u>3,223,793</u>	<u>2,947,406</u>	<u>276,387</u>
<i>General Revenues:</i>			
Property Taxes	4,548,447	4,288,336	260,111
Grants and Entitlements not Restricted to Specific Programs	6,312,250	6,564,772	(252,522)
Unrestricted Contributions	0	75	(75)
Investment Earnings	159,635	159,019	616
Miscellaneous	49,913	42,604	7,309
Total General Revenues	<u>11,070,245</u>	<u>11,054,806</u>	<u>15,439</u>
Total Revenues	<u>14,294,038</u>	<u>14,002,212</u>	<u>291,826</u>
Program Expenses			
<i>Instruction:</i>			
Regular	7,334,726	6,033,375	(1,301,351)
Special	1,272,301	872,642	(399,659)
Vocational	357,855	260,447	(97,408)

(continued)

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2
 Change in Net Position (continued)
 Governmental Activities

	2020	2019	Change
Support Services:			
Pupil	\$804,076	\$773,135	(\$30,941)
Instructional Staff	148,223	116,863	(31,360)
Board of Education	38,765	40,210	1,445
Administration	1,495,682	1,396,263	(99,419)
Fiscal	339,339	322,019	(17,320)
Business	29,651	26,613	(3,038)
Operation and Maintenance of Plant	1,160,359	1,080,489	(79,870)
Pupil Transportation	1,307,753	1,185,313	(122,440)
Central	84,792	83,255	(1,537)
Operation of Non-Instructional Services	4,524	-	(4,524)
Operation of Food Services	481,710	534,017	52,307
Extracurricular Activities	407,136	455,344	48,208
Facilities Acquisitions and			
Construction Services	0	1,293,502	1,293,502
Interest and Fiscal Charges	148,062	166,016	17,954
Total Program Expenses	<u>15,414,954</u>	<u>14,639,503</u>	<u>(775,451)</u>
Increase (Decrease) in Net Position			
Before Extraordinary Item	(1,120,916)	(637,291)	(483,625)
Extraordinary Item - Settlement	0	1,600,000	(1,600,000)
Change in Net Position	(1,120,916)	962,709	(2,083,625)
Net Position Beginning of Year	<u>11,816,952</u>	<u>10,854,243</u>	<u>962,709</u>
Net Position End of Year	<u><u>\$10,696,036</u></u>	<u><u>\$11,816,952</u></u>	<u><u>(\$1,120,916)</u></u>

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid. Thus School District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 31.8 percent of revenues for governmental activities for Grand Valley Local School District in fiscal year 2020.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Although the School District relies upon local property taxes to support its operations, a large share of general fund revenue is received from the State of Ohio through the State Foundation Formula. This funding is directly impacted by the enrollment of the School District. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The School District saw a slight increase in operating grants and contributions due to an increase in targeted assistance received from the State.

Grants and entitlements, with the majority coming from the School Foundation program, is the other significant revenue contributor. With the combination of taxes and grants and entitlements funding the significant portion of all expenses in governmental activities, the School District monitors both of these revenue sources very closely for fluctuations. The decrease in grants and entitlements for fiscal year 2020 was due to a reduction in State Foundation funding due to the COVID-19 pandemic.

Operating grants, contributions, and interest program revenues increased in fiscal year 2020 mainly due to increased intergovernmental grant revenues, including new grant funding for student health and wellness, as well as CARES Act funding provided in response to the COVID-19 pandemic.

Instruction composes the most significant portion of governmental program expenses. The largest component of the increase in program expenses results from increases in pension and OPEB expenses, the most significant increase being related to STRS OPEB expense. The School District's OPEB expense related to STRS increased from a negative expense of \$1,546,075 in fiscal year 2019 to a negative expense of \$233,097 for fiscal year 2020.

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 for 2020 compared to 2019.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2020		2019	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$7,334,726	\$6,000,390	\$6,033,375	\$4,650,279
Special	1,272,301	548,562	872,642	151,519
Vocational	357,855	255,728	260,447	158,320
Support Services:				
Pupil	804,076	559,451	773,135	770,658
Instructional Staff	148,223	142,823	116,863	111,463
Board of Education	38,765	38,765	40,210	40,210
Administration	1,495,682	1,489,518	1,396,263	1,388,959
Fiscal	339,339	339,339	322,019	322,019
Business	29,651	29,651	26,613	26,613
Operation and Maintenance of Plant	1,160,359	1,041,119	1,080,489	1,026,691
Pupil Transportation	1,307,753	1,173,744	1,185,313	1,131,843
Central	84,792	84,792	83,255	83,255
Operation of Non-Instructional Services	4,524	4,524	0	0
Operation of Food Services	481,710	45,267	534,017	76,395
Extracurricular Activities	407,136	289,426	455,344	294,355
Facilities Acquisitions and Construction Services	0	0	1,293,502	1,293,502
Interest and Fiscal Charges	148,062	148,062	166,016	166,016
Total	<u><u>\$15,414,954</u></u>	<u><u>\$12,191,161</u></u>	<u><u>\$14,639,503</u></u>	<u><u>\$11,692,097</u></u>

The School District's Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in expenditures from the prior fiscal year. The general fund revenues decreased due to less State funding received as a result of fewer students enrolled in the School District. In total, the fund balance of the general fund increased. The classroom facilities maintenance fund balance increased due to the transfer from the classroom facilities capital projects fund as part of the closure of the School District's OFCC project. The bond retirement fund balance decreased due to debt requirements exceeding property tax collections for the year. The School District continues to look for grants to help offset the operating expenditures of the School District and to better provide services to our students.

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.

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During the course of fiscal year 2020, the School District amended its general fund budget several times. For the general fund, the actual revenue was slightly higher than the final budget basis revenue estimates due to a slight decrease in property tax revenue offset by an increase in intergovernmental revenue received during the year. The School District's actual expenditures were well within the final budgeted appropriations due to the School District's continuous effort in monitoring expenditures.

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbook, instructional materials and equipment.

Capital Assets and Debt Administration

Capital Assets

The decrease in capital assets was the result of an additional year of annual depreciation on all capital assets other than land. This decrease was offset by asset additions including buses and a hot water tank. See Note 13 to the Basic Financial Statements for additional capital asset information.

Debt

The School District has bonded debt issued for the construction of the new school facility. The football stadium/track complex was financed via a lease purchase agreement via the OASBO Expanded Asset Pool Financing Program. The School District also has a capital lease for copiers. See Notes 14 and 15 to the Basic Financial Statements for additional debt information.

Challenges and Opportunities

Grand Valley Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. The Board of Education and administration closely monitor its revenues and expenditures. Recent national events and their impact on the Grand Valley Local School District and the surrounding area are very much under review and analysis. While the economic recession has had an impact on our industries, three of our local industries, which include Kraftmaid, Kennemetal and Welded Tubes, have remained relatively strong. We are a diversified community with many residents working outside our School District in varying types of employment.

The School District is not without its share of challenges. The need for additional funds for operating is seen as the newest challenge for the School District. With the bulk of funding coming from the State of Ohio and a stagnant State budget, maintaining the delicate balance of increasing costs with unfunded mandates and flat revenues is becoming more challenging. And finally, actions of local and State governments continue to impact the School District. Due to a decrease in the number of students which has caused a subsequent decrease in State funding. The coronavirus pandemic has affected the instructional operations with more students enrolled in digital learning. The School District has been able to cover these costs through federal grant dollars.

Grand Valley Local School District has committed itself to financial reporting excellence for many years and to continuous improvement in financial reporting to our community.

Grand Valley Local School District
Management's Discussion and Analysis
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As a result of the challenges mentioned, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lisa Moodt, Treasurer, Grand Valley Local Schools, 111 Grand Valley Avenue West, Suite A, Orwell, Ohio 44076 email at lisa.moodt@grandvalley.school.

Basic Financial Statements

Grand Valley Local School District

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,222,309
Accounts Receivable	3,393
Accrued Interest Receivable	12,607
Intergovernmental Receivable	197,521
Prepaid Items	8,027
Inventory Held for Resale	6,199
Materials and Supplies Inventory	88,322
Property Taxes Receivable	4,445,753
Nondepreciable Capital Assets	898,127
Depreciable Capital Assets, Net	21,819,164
Net OPEB Asset (See Note 23)	717,439
<i>Total Assets</i>	<u>34,418,861</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	236,280
Pension	2,368,321
OPEB	231,131
<i>Total Deferred Outflows of Resources</i>	<u>2,835,732</u>
Liabilities	
Accounts Payable	52,268
Accrued Wages and Benefits	1,101,048
Intergovernmental Payable	220,598
Accrued Interest Payable	9,546
Vacation Benefits Payable	62,418
Matured Capital Leases Payable	31,116
Long-Term Liabilities:	
Due Within One Year	944,465
Due In More Than One Year:	
Net Pension Liability (See Note 22)	12,433,817
Net OPEB Liability (See Note 23)	1,183,385
Other Amounts Due in More Than One Year	4,948,588
<i>Total Liabilities</i>	<u>20,987,249</u>
Deferred Inflows of Resources	
Property Taxes	3,152,996
Pension	1,073,979
OPEB	1,344,333
<i>Total Deferred Inflows of Resources</i>	<u>5,571,308</u>
Net Position	
Net Investment in Capital Assets	17,935,989
Restricted for:	
Capital Projects	522,201
Debt Service	2,421,961
Other Purposes	2,038,051
Unrestricted (Deficit)	<u>(12,222,166)</u>
<i>Total Net Position</i>	<u><u>\$10,696,036</u></u>

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$7,334,726	\$976,743	\$357,593	\$0	(\$6,000,390)
Special	1,272,301	0	723,739	0	(548,562)
Vocational	357,855	0	102,127	0	(255,728)
Support Services:					
Pupil	804,076	0	244,625	0	(559,451)
Instructional Staff	148,223	0	5,400	0	(142,823)
Board of Education	38,765	0	0	0	(38,765)
Administration	1,495,682	0	6,164	0	(1,489,518)
Fiscal	339,339	0	0	0	(339,339)
Business	29,651	0	0	0	(29,651)
Operation and Maintenance of Plant	1,160,359	27,725	91,515	0	(1,041,119)
Pupil Transportation	1,307,753	0	120,465	13,544	(1,173,744)
Central	84,792	0	0	0	(84,792)
Operation of Non-Instructional Services	4,524	0	0	0	(4,524)
Operation of Food Services	481,710	99,871	336,572	0	(45,267)
Extracurricular Activities	407,136	116,715	995	0	(289,426)
Interest and Fiscal Charges	148,062	0	0	0	(148,062)
<i>Totals</i>	\$15,414,954	\$1,221,054	\$1,989,195	\$13,544	(12,191,161)
General Revenues					
Property Taxes Levied for:					
General Purposes					3,852,392
Debt Service					510,191
Capital Outlay					123,824
Classroom Facilities Maintenance					62,040
Grants and Entitlements not Restricted to Specific Programs					6,312,250
Investment Earnings					159,635
Miscellaneous					49,913
<i>Total General Revenues</i>					11,070,245
Change in Net Position					(1,120,916)
<i>Net Position Beginning of Year</i>					11,816,952
<i>Net Position End of Year</i>					\$10,696,036

See accompanying notes to the basic financial statements

Grand Valley Local School District

*Balance Sheet
Governmental Funds
June 30, 2020*

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,807,489	\$1,464,643	\$2,280,571	\$669,606	\$6,222,309
Accounts Receivable	3,393	0	0	0	3,393
Accrued Interest Receivable	12,607	0	0	0	12,607
Interfund Receivable	4,364	0	0	0	4,364
Intergovernmental Receivable	76,925	0	0	120,596	197,521
Prepaid Items	7,361	0	0	666	8,027
Inventory Held for Resale	0	0	0	6,199	6,199
Materials and Supplies Inventory	86,702	0	0	1,620	88,322
Property Taxes Receivable	3,765,452	60,574	499,208	120,519	4,445,753
<i>Total Assets</i>	<u>\$5,764,293</u>	<u>\$1,525,217</u>	<u>\$2,779,779</u>	<u>\$919,206</u>	<u>\$10,988,495</u>
Liabilities					
Accounts Payable	\$42,995	\$63	\$0	\$9,210	\$52,268
Accrued Wages and Benefits	1,014,716	0	0	86,332	1,101,048
Interfund Payable	0	0	0	4,364	4,364
Matured Compensated Absences Payable	31,116	0	0	0	31,116
Intergovernmental Payable	212,081	341	0	8,176	220,598
<i>Total Liabilities</i>	<u>1,300,908</u>	<u>404</u>	<u>0</u>	<u>108,082</u>	<u>1,409,394</u>
Deferred Inflows of Resources					
Property Taxes	2,675,269	42,759	348,272	86,696	3,152,996
Unavailable Revenue	281,640	3,788	32,101	90,075	407,604
<i>Total Deferred Inflows of Resources</i>	<u>2,956,909</u>	<u>46,547</u>	<u>380,373</u>	<u>176,771</u>	<u>3,560,600</u>
Fund Balances					
Nonspendable	94,063	0	0	2,286	96,349
Restricted	0	1,478,266	2,399,406	679,415	4,557,087
Committed	215,352	0	0	0	215,352
Assigned	136,608	0	0	0	136,608
Unassigned (Deficit)	1,060,453	0	0	(47,348)	1,013,105
<i>Total Fund Balances</i>	<u>1,506,476</u>	<u>1,478,266</u>	<u>2,399,406</u>	<u>634,353</u>	<u>6,018,501</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,764,293</u>	<u>\$1,525,217</u>	<u>\$2,779,779</u>	<u>\$919,206</u>	<u>\$10,988,495</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2020*

Total Governmental Fund Balances	\$6,018,501
 <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.	22,717,291
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:	
Delinquent Property Taxes	276,430
Intergovernmental	86,487
Tuition and Fees	44,687
Total	407,604
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(9,546)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(62,418)
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.	236,280
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(4,436,290)
Capital Leases Payable	(581,292)
Compensated Absences	(875,471)
Total	(5,893,053)
The net pension/OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred in inflows/outflows are not reported in governmental funds:	
Net OPEB Asset	717,439
Deferred Outflows - Pension	2,368,321
Deferred Outflows - OPEB	231,131
Net Pension Liability	(12,433,817)
Net OPEB Liability	(1,183,385)
Deferred Inflows - Pension	(1,073,979)
Deferred Inflows - OPEB	(1,344,333)
Total	(12,718,623)
 <i>Net Position of Governmental Activities</i>	 \$10,696,036

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,852,231	\$62,036	\$510,191	\$123,816	\$4,548,274
Intergovernmental	6,780,472	20,905	128,250	1,351,565	8,281,192
Interest	158,224	0	0	1,439	159,663
Tuition and Fees	987,018	0	0	0	987,018
Extracurricular Activities	45,875	0	0	71,715	117,590
Charges for Services	0	0	0	99,871	99,871
Rentals	27,725	0	0	0	27,725
Contributions and Donations	995	0	0	14,114	15,109
Miscellaneous	49,713	0	0	200	49,913
<i>Total Revenues</i>	<u>11,902,253</u>	<u>82,941</u>	<u>638,441</u>	<u>1,662,720</u>	<u>14,286,355</u>
Expenditures					
Current:					
Instruction:					
Regular	5,417,887	0	0	409,552	5,827,439
Special	995,157	0	0	214,189	1,209,346
Vocational	339,254	0	0	0	339,254
Support Services:					
Pupil	772,318	0	0	14,454	786,772
Instructional Staff	140,702	0	0	5,400	146,102
Board of Education	27,367	0	0	0	27,367
Administration	1,413,568	0	2,850	7,065	1,423,483
Fiscal	310,605	2,137	9,972	2,365	325,079
Business	29,651	0	0	0	29,651
Operation and Maintenance of Plant	1,098,980	218,311	0	18,270	1,335,561
Pupil Transportation	1,003,228	0	0	179,312	1,182,540
Central	84,603	0	0	0	84,603
Operation of Food Services	0	0	0	478,386	478,386
Extracurricular Activities	242,705	0	0	96,059	338,764
Capital Outlay	0	0	0	13,753	13,753
Debt Service:					
Principal Retirement	18,047	0	775,000	90,000	883,047
Interest and Fiscal Charges	4,925	0	123,269	29,100	157,294
<i>Total Expenditures</i>	<u>11,898,997</u>	<u>220,448</u>	<u>911,091</u>	<u>1,557,905</u>	<u>14,588,441</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,256</u>	<u>(137,507)</u>	<u>(272,650)</u>	<u>104,815</u>	<u>(302,086)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	80,291	0	0	0	80,291
Transfers In	0	770,000	0	32,565	802,565
Transfers Out	(32,565)	0	0	(770,000)	(802,565)
<i>Total Other Financing Sources (Uses)</i>	<u>47,726</u>	<u>770,000</u>	<u>0</u>	<u>(737,435)</u>	<u>80,291</u>
<i>Net Change in Fund Balances</i>	50,982	632,493	(272,650)	(632,620)	(221,795)
<i>Fund Balances Beginning of Year</i>	<u>1,455,494</u>	<u>845,773</u>	<u>2,672,056</u>	<u>1,266,973</u>	<u>6,240,296</u>
<i>Fund Balances End of Year</i>	<u>\$1,506,476</u>	<u>\$1,478,266</u>	<u>\$2,399,406</u>	<u>\$634,353</u>	<u>\$6,018,501</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District

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

Net Change in Fund Balances - Total Governmental Funds (\$221,795)

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

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. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	294,981	
Current Year Depreciation	<u>(1,423,355)</u>	
Total		(1,128,374)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	173	
Intergovernmental	18,660	
Tuition and Fees	(10,275)	
Extracurricular Activities	(875)	
Ohio Bureau of Workers' Compensation Refund	<u>(20,276)</u>	
Total		(12,593)

Other financing sources, such as inception of capital leases, in the governmental funds increase long-term liabilities in the statement of net position. (80,291)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

General Obligation Bonds	775,000	
Capital Leases Payable	<u>108,047</u>	
Total		883,047

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds:

Accrued Interest on Bonds	1,453	
Amortization of Premium on Bonds	60,286	
Amortization of Deferred Charge on Refunding	<u>(52,507)</u>	
Total		9,232

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	(87,925)	
Vacation Benefits Payable	<u>(486)</u>	
Total		(88,411)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	942,511	
OPEB	<u>18,138</u>	
Total		960,649

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities:

Pension	(1,665,724)	
OPEB	<u>223,344</u>	
Total		<u>(1,442,380)</u>

Change in Net Position of Governmental Activities (\$1,120,916)

See accompanying notes to the basic financial statements

Grand Valley Local School District
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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,724,000	\$3,724,000	\$3,707,372	(\$16,628)
Intergovernmental	7,007,234	6,804,188	6,826,000	21,812
Interest	129,722	127,267	127,330	63
Tuition and Fees	1,005,356	986,333	986,819	486
Extracurricular Activities	28,246	27,711	27,725	14
Rentals	25,597	25,113	25,125	12
Miscellaneous	36,389	35,700	35,717	17
<i>Total Revenues</i>	11,956,544	11,730,312	11,736,088	5,776
Expenditures				
Current:				
Instruction:				
Regular	5,973,270	5,418,962	5,418,962	0
Special	1,125,048	1,005,153	1,005,153	0
Vocational	376,070	336,143	336,143	0
Support Services:				
Pupil	846,680	800,020	800,020	0
Instructional Staff	142,562	127,369	127,369	0
Board of Education	30,667	43,660	43,660	0
Administration	0	1,415,032	1,415,032	0
Fiscal	0	313,227	313,227	0
Business	0	31,154	31,154	0
Operation and Maintenance of Plant	0	1,221,347	1,221,089	258
Pupil Transportation	0	1,042,960	1,042,960	0
Central	0	85,165	85,165	0
Operation of Non-Instructional Services	4,419,730	0	0	0
Extracurricular Activities	269,423	240,711	240,711	0
<i>Total Expenditures</i>	13,183,450	12,080,903	12,080,645	258
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,226,906)	(350,591)	(344,557)	6,034
Other Financing Sources (Uses)				
Advances In	0	0	542	542
Advances Out	(4,278)	(3,822)	(4,364)	(542)
Transfers Out	(36,449)	(32,565)	(32,565)	0
<i>Total Other Financing Sources (Uses)</i>	(40,727)	(36,387)	(36,387)	0
<i>Net Change in Fund Balance</i>	(1,267,633)	(386,978)	(380,944)	6,034
<i>Fund Balance Beginning of Year</i>	1,557,650	1,557,650	1,557,650	0
Prior Year Encumbrances Appropriated	212,104	212,104	212,104	0
<i>Fund Balance End of Year</i>	\$502,121	\$1,382,776	\$1,388,810	\$6,034

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$57,115	\$59,570	\$59,570	\$0
Intergovernmental	23,172	20,906	20,906	0
<i>Total Revenues</i>	<u>80,287</u>	<u>80,476</u>	<u>80,476</u>	<u>0</u>
Expenditures				
Current:				
Support Services:				
Fiscal	1,084	2,138	2,138	0
Business	119,666	289,311	289,311	0
<i>Total Expenditures</i>	<u>120,750</u>	<u>291,449</u>	<u>291,449</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(40,463)	(210,973)	(210,973)	0
Other Financing Sources (Uses)				
Transfers In	1,542,564	1,546,199	1,546,199	0
<i>Net Change in Fund Balance</i>	1,502,101	1,335,226	1,335,226	0
<i>Fund Balance Beginning of Year</i>	44,876	44,876	44,876	0
Prior Year Encumbrances Appropriated	31,033	31,033	31,033	0
<i>Fund Balance End of Year</i>	<u><u>\$1,578,010</u></u>	<u><u>\$1,411,135</u></u>	<u><u>\$1,411,135</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Grand Valley Local School District

Statement of Net Position

Fiduciary Funds

June 30, 2020

	Private Purpose Trust	
	<u>Scholarships</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$61,801	<u>\$56,405</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$56,405</u>
Net Position		
Restricted for:		
Scholarships:		
Non-Expendable	60,000	
Expendable	<u>1,801</u>	
<i>Total Net Position</i>	<u>\$61,801</u>	

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2020

	<u>Scholarships</u>
Additions	
Interest	\$1,220
Deductions	
College Scholarships Awarded	<u>250</u>
<i>Change in Net Position</i>	970
<i>Net Position Beginning of Year</i>	<u>60,831</u>
<i>Net Position End of Year</i>	<u><u>\$61,801</u></u>

See accompanying notes to the basic financial statements

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

Note 1 - Description of the School District and Reporting Entity

Grand Valley Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 3 instructional/support facilities staffed by 44 classified employees and 76 certified employees who provide services to 1,059 students and other community members.

Reporting Entity

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

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

The School District is associated with two jointly governed organizations, one insurance purchasing pool, two risk sharing pools and one related organization. These organizations are the Northeast Ohio Management Information Network, Ashtabula County Technical and Career Center, Ohio Association of School Business Officials Workers' Compensation Group Rating Program, Ashtabula County Schools Council of Governments, Schools of Ohio Risk Sharing Authority and the Orwell Library Association dba Grand Valley Public Library. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Grand Valley Local School District

*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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and 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 governmental function 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. Fiduciary funds are reported by type.

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. The various funds of the School District are grouped into the categories governmental 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 and 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 and report all financial resources except those required to be accounted for and reported 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.

Classroom Facilities Maintenance Fund The classroom facilities maintenance fund accounts for and reports property taxes restricted for the maintenance of facilities.

Bond Retirement Fund The bond retirement fund accounts for and reports property tax revenues restricted for payment of principal and interest and fiscal charges on general obligation debt.

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

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

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's only trust fund is a private purpose trust which accounts for a college scholarship donations for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all 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.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., 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.

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in 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 fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 9). 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 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

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requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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, fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 22 and 23.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property 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 on both the government-wide statement of net position and the 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 includes delinquent property taxes, intergovernmental grants and tuition and fees. 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 found on page 18. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Notes 22 and 23).

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2020, investments were limited to federal farm credit bank bonds, federal home loan mortgage credit bonds, federal national mortgage association bonds, United States Treasury notes, nonnegotiable certificates of deposit and STAR Ohio.

Investments, except for mutual funds and STAR Ohio, are reported at fair value which is based on quoted market prices, with the exception of certificates of deposit, which are reported at cost. The School District's mutual fund is measured at amortized cost as it is highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

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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 fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$158,224 which includes \$111,844 assigned from other School District funds.

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

Inventory

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

Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the period amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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.

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

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Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Fixtures	5-20 years
Vehicles	8 years
Textbooks	6 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Since the School District's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

Accrued Liabilities and Long-term Obligations

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

Pensions/Other Postemployment Benefits (OPEB)

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

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Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are received in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Interfund Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for auxiliary services and extracurricular activities.

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

Fund Balance

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

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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.

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 includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. The School District Board of Education assigned fund balance for classroom support services and to cover a gap between revenues and appropriations in fiscal year 2021’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.

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.

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.

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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Budgetary allocations at the function and object level are made by the School District Treasurer.

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

The appropriation resolution is subject to amendment by the Board throughout the 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 – Change in Accounting Principles

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District also implemented the Governmental Accounting Standards Board's (GASB) Implementation Guide No. 2018-1. These changes were incorporated in the School District's 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

The food service, Title I and Title II-A special revenue funds had deficit fund balances in the amounts of \$8,037, \$31,413 and \$5,612, respectively, at June 30, 2020. The deficits were caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis.

The general fund is liable for any deficit in the special revenue funds and provides transfers when cash is required, not when accruals occur.

Note 5 - Fund Balances

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

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Fund Balances	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$7,361	\$0	\$0	\$666	\$8,027
Inventory	86,702	0	0	1,620	88,322
<i>Total Nonspendable</i>	94,063	0	0	2,286	96,349
<i>Restricted for</i>					
Scholarship Awards	0	0	0	60,118	60,118
Classroom Maintenance	0	1,478,266	0	20,000	1,498,266
Athletics	0	0	0	39,495	39,495
Support Services	0	0	0	373,510	373,510
Debt Service Payments	0	0	2,399,406	0	2,399,406
Capital Improvements	0	0	0	186,292	186,292
<i>Total Restricted</i>	0	1,478,266	2,399,406	679,415	4,557,087
<i>Committed to</i>					
Property insurance	55,551	0	0	0	55,551
Consulting fees	159,801	0	0	0	159,801
<i>Total Committed</i>	215,352	0	0	0	215,352
<i>Assigned to</i>					
Classroom support services	82,661	0	0	0	82,661
Fiscal Year 2021 Appropriations	53,947	0	0	0	53,947
<i>Total Assigned</i>	136,608	0	0	0	136,608
<i>Unassigned (Deficit)</i>	1,060,453	0	0	(47,348)	1,013,105
<i>Total Fund Balances</i>	\$1,506,476	\$1,478,266	\$2,399,406	\$634,353	\$6,018,501

Note 6 - 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 Balance - Budget (Non-GAAP Basis) and Actual presented for the general and major special revenue funds 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) as opposed to when susceptible to accrual (GAAP).
2. Investments reported at cost (budget) rather than at fair value (GAAP).
3. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

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4. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
5. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
6. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general and major special revenue funds.

	Net Change in Fund Balance	
	General	Classroom Facilities Maintenance
GAAP Basis	\$50,982	\$632,493
Net Adjustment for Revenue Accruals	(248,348)	773,734
Advances In	542	0
Beginning Fair Value Adjustment for Investments	7,932	0
Ending Fair Value Adjustment for Investments	(42,056)	0
Perspective Differences:		
Public School Support	12,962	0
Net Adjustment for Expenditure Accruals	143,557	(17,493)
Advances Out	(4,364)	0
Encumbrances	(302,151)	(53,508)
Budget Basis	<u>(\$380,944)</u>	<u>\$1,335,226</u>

Note 7 - Deposits and Investments

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

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

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

Custodial Credit Risk Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$103,540 of the School District's bank balance of \$4,008,990 was uninsured and uncollateralized. One of the School District's financial institutions participated in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent, resulting in the uninsured and uncollateralized balance.

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

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as a 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 requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

Investments are reported at fair value. As of June 30, 2020, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level Two Inputs:				
Federal Farm Credit Bank Bonds	\$450,304	Less than Four years	AA+	19.05 %
Federal Home Loan Mortgage Credit Bonds	250,136	Less than Four years	AA+	N/A
Federal National Mortgage Association Bonds	100,546	Less than One years	AA+	N/A
United States Treasury Notes	<u>486,289</u>	Less than Three years	AA+	20.57
Total Fair Value - Level Two Inputs	<u>1,287,275</u>			
Net Asset Value Per Share:				
STAR Ohio	<u>1,076,760</u>	Average 41.5 Days	AAAm	N/A
<i>Totals</i>	<u><u>\$2,364,035</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2020. The Money Market Mutual Fund is measured at amortized cost. The School District's remaining investments, except STAR Ohio, 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. The School District has no investment policy that addresses the interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer.

Note 8 - Receivables

Receivables at June 30, 2020 consisted of taxes, accounts (rent and student fees), tuition, School Employees Retirement System reimbursement and intergovernmental grants. 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. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I Grant	\$72,105
School Foundation	48,300
Title I Non-competitive Grant	32,500
Other	24,310
Title VI-R	11,627
Miscellaneous Federal Grants	4,364
School Employees Retirement System	<u>4,315</u>
Total	<u><u>\$197,521</u></u>

Note 9 – Property Taxes

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

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

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

The School District receives property taxes from Ashtabula 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 available to be advanced can vary based on the date the tax bills are sent.

Grand Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Accrued property taxes receivable includes real property and public utility 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 to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2020, was \$856,843 in the general fund, \$118,835 in the bond retirement debt service fund, \$14,027 in the classroom facilities maintenance special revenue fund and \$26,622 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2019, was \$711,984 in the general fund, \$199,338 in the bond retirement debt service fund, \$11,561 in the classroom facilities maintenance special revenue fund and \$21,519 in the permanent improvement capital projects fund.

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

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	\$187,498,720	96.01 %	\$190,206,610	95.84 %
Public Utility Personal	7,802,200	3.99	8,260,940	4.16
Total	\$195,300,920	100.00 %	\$198,467,550	100.00 %
Full Tax Rate per \$1,000 of assessed valuation		\$45.51		\$45.51

Tax Abatements

The School District property taxes were reduced by \$2,733 under various community reinvestment area agreements entered into by the Village of Orwell.

Note 10 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Employees are able to roll over up to fifteen days of vacation from year to year without penalty. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 350 days for certified employees and 325 days for classified employees. Maximum sick leave accumulation for individuals on administrative contracts varies depending on the number of days in the administrator’s work year. For all employees, retirement severance is paid to each employee retiring from the School District at a per diem rate of the annual salary at the time of retirement. Any certified employee receiving retirement severance pay is entitled to a dollar amount equivalent to one-fourth of the first 240 days of sick leave credited to that employee, up to 60 days and 1 severance day for each 10 accumulated sick days above 240 days. The maximum attainable is 65 days. Any classified employee receiving retirement severance pay is entitled to a

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

dollar amount equivalent to one-fourth of the first 240 days of sick leave credited to that employee, up to 60 days and 1 severance day for each fifteen accumulated sick leave days above 240 days. The maximum attainable is 65 days.

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to permanent employees through Minnesota Mutual in the amount of \$25,000 for certified and classified employees. An additional \$150,000 is provided to the treasurer and \$200,000 superintendent.

Health Insurance Benefits

The School District provides employee medical and surgical insurance, prescription drug, dental, and vision insurance through the Ashtabula County Schools Council of Governments.

Note 11 - Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$32,565 to the food service and athletics special revenue funds to help provide funding for fiscal year 2020. The classroom facilities capital projects fund transferred \$770,000 to the classroom facilities maintenance special revenue fund as part of the closure of the School District's OFCC project.

Interfund Balances

The general fund advance of \$4,364 to the other governmental funds were made to cover grant monies not received by fiscal year end. The balances are anticipated to be repaid in one year.

Note 12 - 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 party to various legal proceedings. Legal Counsel believes financial exposure is limited and would not have a significant effect on the 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. ODE has finalized the adjustments and they did not have any significant impact on the District's funding.

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

Note 13 – 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
<i>Capital Assets not being Depreciated:</i>				
Land	\$898,127	\$0	\$0	\$898,127
<i>Capital Assets being Depreciated:</i>				
Land Improvements	3,809,208	0	0	3,809,208
Buildings and Improvements	37,120,090	11,660	0	37,131,750
Furniture and Fixtures	815,243	52,036	0	867,279
Vehicles	1,555,385	172,284	(302,061)	1,425,608
Textbooks	593,284	59,001	(8,850)	643,435
<i>Total Capital Assets being Depreciated</i>	<u>43,893,210</u>	<u>294,981</u>	<u>(310,911)</u>	<u>43,877,280</u>
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(2,287,965)	(186,471)	0	(2,474,436)
Buildings and Improvements	(16,306,751)	(1,052,535)	0	(17,359,286)
Furniture and Fixtures	(630,031)	(46,699)	0	(676,730)
Vehicles	(1,239,500)	(92,304)	302,061	(1,029,743)
Textbooks	(481,425)	(45,346)	8,850	(517,921)
<i>Total Accumulated Depreciation</i>	<u>(20,945,672)</u>	<u>(1,423,355) *</u>	<u>310,911</u>	<u>(22,058,116)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>22,947,538</u>	<u>(1,128,374)</u>	<u>0</u>	<u>21,819,164</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$23,845,665</u>	<u>(\$1,128,374)</u>	<u>\$0</u>	<u>\$22,717,291</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,221,521
Support Services:	
Instructional Staff	274
Board of Education	11,381
Administration	9,847
Operation and Maintenance of Plant	13,896
Pupil Transportation	101,546
Operation of Food Services	4,524
Extracurricular Activities	60,366
Total Depreciation Expense	<u>\$1,423,355</u>

Note 14 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2012 Classroom Refunding Bonds:			
Serial Bonds	1.00% to 3.10%	\$8,160,000	2012 to 2025

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

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

	Principal Outstanding 6/30/19	Additions	Deductions	Principal Outstanding 6/30/20	Amounts Due in One Year
<i>General Obligation Bonds</i>					
2012 Classroom Refunding Bonds					
Serial Bonds	\$4,940,000	\$0	\$775,000	\$4,165,000	\$790,000
Premium	331,576	0	60,286	271,290	0
<i>Total General Obligation Bonds</i>	5,271,576	0	835,286	4,436,290	790,000
<i>Other Long-Term Obligations</i>					
Net Pension Liability					
SERS	2,623,692	230,767	0	2,854,459	0
STRS	9,678,857	0	99,499	9,579,358	0
Total Net Pension Liability	12,302,549	230,767	99,499	12,433,817	0
Net OPEB Liability					
SERS	1,292,784	0	109,399	1,183,385	0
Capital Leases Payable	609,048	80,291	108,047	581,292	108,960
Compensated Absences	787,546	132,418	44,493	875,471	45,505
<i>Total Other Long-Term Obligations</i>	14,991,927	443,476	361,438	15,073,965	154,465
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$20,263,503	\$443,476	\$1,196,724	\$19,510,255	\$944,465

The capital leases are paid from the general fund and the permanent improvement capital projects fund. Compensated absences will be paid from the general fund and the title I and the food service special revenue funds. There is no repayment schedule for the net pension and OPEB liabilities. However, employer pension contributions are made from the general fund and the title I, classroom reduction, and food service special revenue funds. For additional information related to the net pension/OPEB liabilities see Notes 22 and 23.

On October 4, 2011, the School District issued \$8,689,988 in general obligation refunding bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$8,160,000 and \$529,988, respectively. The general obligation refunding bonds were issued for the purpose of refunding a portion of the 2002 classroom improvement bonds to take advantage of lower interest rates. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2020, \$3,260,000 of the defeased bonds are still outstanding. The bonds were issued for a fourteen year period with a final maturity at December 1, 2024. The bonds will be retired from the debt service fund.

The overall debt margin of the School District as of June 30, 2020 was \$16,096,486 with an unvoted debt margin of \$198,468. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2020 are as follows:

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

	General Obligation Bonds	
	Serial	
	Principal	Interest
2021	\$790,000	\$105,070
2022	810,000	85,465
2023	830,000	64,135
2024	855,000	40,105
2025	880,000	13,640
Total	\$4,165,000	\$308,415

Note 15 – Capital Leases

On August 18, 2006, the School District entered into a capitalized lease obligation for a new football field. During fiscal year 2020, the School District entered into a capitalized lease obligation for copiers. These leases meet the criteria for a capital lease and have been recorded on the government-wide statements. The original amount capitalized for the capital lease and the book value as of June 30, 2020, follows:

	Amounts
Assets:	
Land Improvements	\$1,526,000
Copiers	80,291
Less: Accumulated Depreciation	(1,160,558)
Current Book Value	\$445,733

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2020.

	Amounts
2021	\$136,666
2022	137,332
2023	136,768
2024	136,020
2025	117,163
Total Minimum Lease Payments	663,949
Less: Amount Representing Interest	(82,667)
Present Value of Minimum Lease Payments	\$581,282

Note 16 - 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. The School District has addressed

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

these various types of risk by purchasing a comprehensive insurance policy through Schools of Ohio Risk Sharing Authority (Note 18).

Type of Coverage	Coverage Amount
Property - Building and Business Personal	\$65,943,940
Equipment Breakdown	65,943,940
Crime Coverage per occurrence	200,000
Unintentional Errors and Omissions	1,000,000
Utility Service Direct Damage	500,000
Valuable Papers	1,000,000
General Liability:	
Bodily Injury and Property Damage	15,000,000
Personal Injury	15,000,000
Products/Completed Operations	15,000,000
Automobile Bodily Injury	15,000,000

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

Employee Medical Benefits

The School District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 18) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. Certified employees per negotiated agreement are required to pay \$110 per month for family coverage and \$55 per month for single coverage. Classified employees per negotiated agreement are required to pay \$110 per month for family coverage and \$55 per month for single coverage.

Worker's Compensation

For fiscal year 2020, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control and actuarial services to the GRP.

Note 17 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. The School District paid \$36,105 to NEOMIN during fiscal year 2020.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent

Grand Valley Local School District

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

members, three superintendents from Ashtabula County School Districts, three superintendents from Trumbull County School Districts, and a treasurer from each county. The School District was represented on the Governing Board by the Superintendent and Treasurer during fiscal year 2020. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. The Board exercises total control over the operations including budgeting, appropriating, contracting and designating management. A complete set of separate financial statements may be obtained from the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

Ashtabula County Technical and Career Center The Ashtabula County Technical and Career Center (the Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of representatives from some of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District paid \$100 to the Career Center for fiscal year 2020. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical and Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

Note 18 – Public Entity Risk Pools

Insurance Purchasing Pool

The School District participates in a group rating program for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Risk Sharing Pools

The School District has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School District. The School District is not liable nor receives a cash balance of past claims upon departure from the pool.

The School District also participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of sixty-two school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

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

Note 19 – Related Organization

The Orwell Library Association dba Grand Valley Public Library The Grand Valley Public Library (the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a seven member Board of Trustees appointed by each other. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Grand Valley Public Library, Jeanette Gage, Fiscal Officer, at 1 North School Street, Orwell, Ohio 44076.

Note 20 - 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 the end of the fiscal year 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 Improvements
Set-aside balance June 30, 2019	\$0
Current year set-aside requirement	202,474
Current year offsets	(1,754,446)
Qualifying disbursements	(246,357)
Totals	(\$1,798,329)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside balance June 30, 2020	\$0

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. The negative balance is therefore not presented as being carried forward to future fiscal years.

Note 21 – Encumbrances

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

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

General	\$302,151
Classroom Facilities Maintenance	53,508
Other Governmental Funds	20,312
Totals	<u>\$375,971</u>

Note 22 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (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 *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 23 for the required OPEB disclosures.

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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.

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. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$228,264 for fiscal year 2020. Of this amount \$7,889 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-

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

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. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any 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. The member determines how to allocate the member and employer money among various investment choices offered by STRS. 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 is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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.

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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. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$714,247 for fiscal year 2020. Of this amount \$100,838 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.04581120%	0.04401931%	
Current Measurement Date	<u>0.04770810%</u>	<u>0.04331729%</u>	
Change in Proportionate Share	<u>0.00189690%</u>	<u>-0.00070202%</u>	
Proportionate Share of the Net			
Pension Liability	\$2,854,459	\$9,579,358	\$12,433,817
Pension Expense	\$399,830	\$1,265,894	\$1,665,724

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$72,383	\$77,992	\$150,375
Changes of assumptions	0	1,125,281	1,125,281
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	62,087	88,067	150,154
School District contributions subsequent to the measurement date	<u>228,264</u>	<u>714,247</u>	<u>942,511</u>
Total Deferred Outflows of Resources	<u>\$362,734</u>	<u>\$2,005,587</u>	<u>\$2,368,321</u>

Grand Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$41,467	\$41,467
Net difference between projected and actual earnings on pension plan investments	36,641	468,187	504,828
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>56,776</u>	<u>470,908</u>	<u>527,684</u>
Total Deferred Inflows of Resources	<u>\$93,417</u>	<u>\$980,562</u>	<u>\$1,073,979</u>

\$942,511 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$65,510	\$487,561	\$553,071
2022	(42,799)	10,719	(32,080)
2023	(2,437)	(213,079)	(215,516)
2024	<u>20,779</u>	<u>25,577</u>	<u>46,356</u>
Total	<u>\$41,053</u>	<u>\$310,778</u>	<u>\$351,831</u>

Actuarial Assumptions – SERS

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

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

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

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

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Inflation	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

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

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

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

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,000,118	\$2,854,459	\$1,893,681

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
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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

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

* Target weights will be phased in over a 24-month period concluding on July1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$13,999,165	\$9,579,358	\$5,837,766

Note 23 - Defined Benefit OPEB Plans

See Note 22 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2020, the School District's surcharge obligation was \$18,138.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$18,138 for fiscal year 2020. Of this amount \$18,138 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. All benefit recipients 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 fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred 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:			
Prior Measurement Date	0.04659910%	0.04401931%	
Current Measurement Date	<u>0.04705700%</u>	<u>0.04331729%</u>	
Change in Proportionate Share	<u>0.00045790%</u>	<u>-0.00070202%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$1,183,385	\$0	\$1,183,385
Net OPEB (Asset)	\$0	(\$717,439)	(\$717,439)
OPEB Expense	\$9,753	(\$233,097)	(\$223,344)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$17,371	\$65,041	\$82,412
Changes of assumptions	86,433	15,080	101,513
Net difference between projected and actual earnings on OPEB plan investments	2,841	0	2,841
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	2,918	23,309	26,227
School District contributions subsequent to the measurement date	<u>18,138</u>	<u>0</u>	<u>18,138</u>
Total Deferred Outflows of Resources	<u>\$127,701</u>	<u>\$103,430</u>	<u>\$231,131</u>

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$259,982	\$36,501	\$296,483
Changes of assumptions	66,313	786,587	852,900
Net difference between projected and actual earnings on OPEB plan investments	0	45,061	45,061
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>57,407</u>	<u>92,482</u>	<u>149,889</u>
Total Deferred Inflows of Resources	<u>\$383,702</u>	<u>\$960,631</u>	<u>\$1,344,333</u>

\$18,138 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	(\$91,757)	(\$184,705)	(\$276,462)
2022	(44,125)	(184,705)	(228,830)
2023	(43,291)	(166,646)	(209,937)
2024	(43,426)	(160,309)	(203,735)
2025	(36,594)	(162,225)	(198,819)
Thereafter	<u>(14,946)</u>	<u>1,389</u>	<u>(13,557)</u>
Total	<u>(\$274,139)</u>	<u>(\$857,201)</u>	<u>(\$1,131,340)</u>

Actuarial Assumptions – SERS

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

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

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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
Wage Increases	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, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

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 System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was

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used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$1,436,404	\$1,183,385	\$982,204

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$948,131	\$1,183,385	\$1,495,509

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:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

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

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

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

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 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.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	\$612,191	\$717,439	\$805,927

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$813,542	\$717,439	\$599,734

Note 24 - Endowments

The School District's private purpose trust fund include donor-restricted endowments for scholarships. The Net Position-Non-Expendable amounts of \$60,000 represent the principal portion of the endowments. The Net Position – Expendable amount of \$1,801 represents the interest earnings on donor- restricted investments and is available for expenditure by the governing board, for purposes consistent with the endowment's intent. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

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

Note 25 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Grand Valley Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Seven Fiscal Years (1) **

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.04770810%	0.04581120%	0.04795540%	0.05067780%
School District's Proportionate Share of the Net Pension Liability	\$2,854,459	\$2,623,692	\$2,865,229	\$3,709,147
School District's Covered Payroll	\$1,646,007	\$1,533,511	\$1,593,700	\$1,525,886
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	173.42%	171.09%	179.78%	243.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.05017260%	0.05099100%	0.05099100%
\$2,862,898	\$2,580,625	\$3,032,271
\$1,511,171	\$1,494,145	\$1,298,008
189.45%	172.72%	233.61%
69.16%	71.70%	65.52%

Grand Valley Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1) **

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.04705700%	0.04659910%	0.04825290%	0.05054780%
School District's Proportionate Share of the Net OPEB Liability	\$1,183,385	\$1,292,784	\$1,294,981	\$1,440,799
School District's Covered Payroll	\$1,646,007	\$1,533,511	\$1,593,700	\$1,525,886
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	71.89%	84.30%	81.26%	94.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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Grand Valley Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Seven Fiscal Years (1) **

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.04331729%	0.04401931%	0.04699738%	0.04623467%
School District's Proportionate Share of the Net Pension Liability	\$9,579,358	\$9,678,857	\$11,164,329	\$15,476,137
School District's Covered Payroll	\$5,108,021	\$4,987,671	\$5,181,600	\$5,436,486
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.54%	194.06%	215.46%	284.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.04621170%	0.04614833%	0.04614833%
\$12,771,564	\$11,224,871	\$13,370,993
\$4,844,950	\$4,747,900	\$4,718,046
263.61%	236.42%	283.40%
72.10%	74.70%	69.30%

Grand Valley Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1) **

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.04331729%	0.04401931%	0.04699738%	0.04623467%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$717,439)	(\$707,346)	\$1,833,664	\$2,472,642
School District's Covered Payroll	\$5,108,021	\$4,987,671	\$5,181,600	\$5,436,486
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.05%	-14.18%	35.39%	45.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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Grand Valley Local School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2020	2019	2018	2017
Net Pension Liability:				
Contractually Required Contribution	\$228,264	\$222,211	\$207,024	\$223,118
Contributions in Relation to the Contractually Required Contribution	<u>(228,264)</u>	<u>(222,211)</u>	<u>(207,024)</u>	<u>(223,118)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,630,457	\$1,646,007	\$1,533,511	\$1,593,700
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
Net OPEB Liability:				
Contractually Required Contribution (2)	\$18,138	\$28,355	\$33,392	\$24,399
Contributions in Relation to the Contractually Required Contribution	<u>(18,138)</u>	<u>(28,355)</u>	<u>(33,392)</u>	<u>(24,399)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.11%</u>	<u>1.72%</u>	<u>2.18%</u>	<u>1.53%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.11%</u>	<u>15.22%</u>	<u>15.68%</u>	<u>15.53%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$213,624	\$199,172	\$207,088	\$179,644	\$184,442	\$183,788
(213,624)	(199,172)	(207,088)	(179,644)	(184,442)	(183,788)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,525,886	\$1,511,171	\$1,494,145	\$1,298,008	\$1,371,315	\$1,462,117
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$22,108	\$30,479	\$22,342	\$18,339	\$27,991	\$42,279
(22,108)	(30,479)	(22,342)	(18,339)	(27,991)	(42,279)
\$0	\$0	\$0	\$0	\$0	\$0
1.45%	2.02%	1.50%	1.41%	2.04%	2.89%
15.45%	15.20%	15.36%	15.25%	15.49%	15.46%

Grand Valley Local School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2020	2019	2018	2017
Net Pension Liability:				
Contractually Required Contribution	\$714,247	\$715,123	\$698,274	\$725,424
Contributions in Relation to the Contractually Required Contribution	<u>(714,247)</u>	<u>(715,123)</u>	<u>(698,274)</u>	<u>(725,424)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$5,101,764	\$5,108,021	\$4,987,671	\$5,181,600
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability/Asset:				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$761,108	\$678,293	\$617,227	\$613,346	\$630,081	\$646,146
(761,108)	(678,293)	(617,227)	(613,346)	(630,081)	(646,146)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,436,486	\$4,844,950	\$4,747,900	\$4,718,046	\$4,846,777	\$4,970,354
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$0	\$47,479	\$47,180	\$48,468	\$49,704
0	0	(47,479)	(47,180)	(48,468)	(49,704)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Grand Valley Local School District, Ohio

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

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 percent was used.

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

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

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

Changes in Assumptions - STRS

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

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

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based

Grand Valley Local School District, Ohio

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

on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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.

Changes in Benefit Terms – STRS

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 2020.

Grand Valley Local School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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 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.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA 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>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	2020	\$49,546
COVID-19 School Breakfast Program	10.553	2020	37,644
National School Lunch Program	10.555	2020	140,866
COVID-19 National School Lunch Program	10.555	2020	65,156
Non-Cash Food Commodities	10.555	2020	28,494
Total Child Nutrition Cluster			<u>321,706</u>
Total U.S. Department of Agriculture			<u>321,706</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Title I - Grants to Local Educational Agencies	84.010	2019 2020	88,455 <u>411,614</u>
Subtotal Title I - Grants to Local Educational Agencies			<u>500,069</u>
<i>Special Education Cluster:</i>			
IDEA-B - Special Education Grants to State	84.027	2020	<u>16,834</u>
Subtotal - Special Education Cluster			<u>16,834</u>
Title II - A Improving Teacher Quality State Grants	84.367	2019 2020	2,642 <u>51,472</u>
Subtotal - Title II - A Improving Teacher Quality State Grants			<u>54,114</u>
Student Support and Academic Enrichment	84.424	2020	<u>30,973</u>
Total - U.S. Department of Education			<u>601,990</u>
Total Expenditures of Federal Awards			<u><u>\$923,696</u></u>

The accompanying notes are an integral part of this schedule.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA 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 Grand Valley 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 or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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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

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue West
Orwell, Ohio 44076

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 Grand Valley Local School District, Ashtabula 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 February 10, 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

February 10, 2021

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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

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue West
Orwell, Ohio 44076

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Grand Valley 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 the Grand Valley 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 programs.

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, the Grand Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the 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

February 10, 2021

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



GRAND VALLEY LOCAL SCHOOL DISTRICT

ASHTABULA 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 2/25/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov