



OHIO AUDITOR OF STATE
KEITH FABER



**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
JUNE 30, 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds	14
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	15
Statement of Fund Net Position – Cash Basis – Proprietary Funds	16
Statement of Cash Receipts, Disbursements and Changes in Fund Net Position – Cash Basis – Proprietary Funds	17
Notes to the Basic Financial Statements	18
Schedule of Expenditures of Federal Awards	49
Notes to the Schedule of Expenditures of Federal Awards	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
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	53
Schedule of Findings	55
Prepared by Management:	
Summary Schedule of Prior Audit Findings	57
Corrective Action Plan	59

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Fairport Harbor Exempted Village School District
Lake County
329 Vine Street
Fairport Harbor, Ohio 44077

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Fairport Harbor Exempted Village School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2021, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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.

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the 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 schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022, 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

May 19, 2022



Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

The discussion and analysis of the Fairport Harbor Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2021, within the limitation of the School District's cash basis accounting. 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 financial highlights for 2021 are:

- Net position of governmental activities increased by \$1,754,792. The increase is mainly attributed to an increase in reimbursements for federal programs.
- General receipts accounted for \$5,494,297 of all receipts or 62.6 percent of all receipts. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$3,279,495 or 37.4 percent of total receipts of \$8,773,792.
- The School District had \$7,019,000 in disbursements related to governmental activities; \$3,279,495 of these disbursements was offset by program specific charges for services and operating grants and contributions.
- The General Fund had \$7,665,683 (includes other financing sources) in receipts and \$5,798,085 (includes other financing uses) in disbursements. The General Fund's balance increased to \$2,316,202 from \$448,604.

Using this Annual Financial Report

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

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

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2021?” The Statement of Net Position and Statement of Activities answer this question, within the limitation of the School District’s cash basis accounting. These statements use the cash basis method of accounting.

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

In the Statement of Net Position and Statement of Activities, the School District reports governmental activities and business-type activities. Governmental activities and Business activities are the activities where most of the School District’s programs and services are reported including, but not limited to, instruction, supporting services, operation and maintenance of plant, pupil transportation, 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 10. 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 fund is the General Fund.

Governmental Funds Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis method of accounting. The governmental fund statements provide a detailed *view* of the School District’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance educational programs. The governmental fund financial statement can be found on pages 11 through 15 of this report.

Proprietary Fund. The School District maintains one business fund. The Uniform School Supplies is reported as enterprise fund. The proprietary fund financial statement can be found on page 16 and 17 of this report.

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District’s net position for 2021 compared to 2020:

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020*	2021	2020	2021	2020*
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$ 2,484,310	\$ 729,518	\$ 36	\$ 36	\$ 2,484,346	\$ 729,554
Total Assets	<u>2,484,310</u>	<u>729,518</u>	<u>36</u>	<u>36</u>	<u>2,484,346</u>	<u>729,554</u>
NET POSITION						
Restricted for:						
Federal Grants	10,532	21,531	0	0	10,532	21,531
State Grants	50,468	175,870	0	0	50,468	175,870
Student Activities	42,489	8,265	0	0	42,489	8,265
District Managed Activities	24,406	5,152	0	0	24,406	5,152
Other Grants	3,483	2,643	0	0	3,483	2,643
Capital Projects	15,436	50,876	0	0	15,436	50,876
Set Asides	267,907	211,071	0	0	267,907	211,071
Student Scholarships	10,239	5,662	0	0	10,239	5,662
Endowment	10,000	10,000	0	0	10,000	10,000
Unrestricted	<u>2,049,350</u>	<u>238,448</u>	<u>36</u>	<u>36</u>	<u>2,049,386</u>	<u>238,484</u>
Total Net Position	<u>\$ 2,484,310</u>	<u>\$ 729,518</u>	<u>\$ 36</u>	<u>\$ 36</u>	<u>\$ 2,484,346</u>	<u>\$ 729,554</u>

*Restated

Total assets increased by \$1,754,792, which is due to the School District operating conservatively during COVID-19 pandemic.

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Table 2 shows the changes in net position for fiscal year 2021 and also presents a comparative analysis to fiscal year 2020 for governmental activities.

Table 2 - Change in Net Position

	Governmental Activities		Business Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<u>Receipts</u>						
<u>Program Receipts</u>						
Charges for Services	\$ 1,723,915	\$ 1,907,360	\$ 0	\$ 0	\$ 1,723,915	\$ 1,907,360
Operating Grants and Contributions	1,555,580	444,676	0	0	1,555,580	444,676
Total Program Receipts	3,279,495	2,352,036	0	0	3,279,495	2,352,036
<u>General Receipts</u>						
Property Taxes levied for:						
General Purposes	2,751,067	2,807,727	0	0	2,751,067	2,807,727
Contributions and Donations not restricted to specific programs	0	635	0	0	0	635
Grants & Entitlements not restricted to specific programs	2,545,653	2,736,404	0	0	2,545,653	2,736,404
Investment Income	1,889	12,706	0	0	1,889	12,706
Gain on Sale of Capital Assets	0	1,000	0	0	0	1,000
All Other Revenues	195,688	200,581	0	36	195,688	200,617
Total General Receipts	5,494,297	5,759,053	0	36	5,494,297	5,759,089
Total Receipts	8,773,792	8,111,089	0	36	8,773,792	8,111,125
<u>Disbursements</u>						
Instruction:						
Regular	3,113,713	4,037,362	0	0	3,113,713	4,037,362
Special	860,018	1,023,041	0	0	860,018	1,023,041
Other	242,937	262,789	0	0	242,937	262,789
Supporting Services:						
Pupils	715,619	321,624	0	0	715,619	321,624
Instructional Staff	121,827	199,806	0	0	121,827	199,806
Board of Education	70,814	69,016	0	0	70,814	69,016
Administration	756,779	898,769	0	0	756,779	898,769
Fiscal Services	158,330	199,526	0	0	158,330	199,526
Business	18	60	0	0	18	60
Operation and Maintenance of Plant	585,375	599,940	0	0	585,375	599,940
Pupil Transportation	65,635	31,312	0	0	65,635	31,312
Central	36,412	112,520	0	0	36,412	112,520
Operation of Non-Instructional Services	17,763	35,659	0	0	17,763	35,659
Extracurricular Activities	273,760	349,006	0	0	273,760	349,006
Total Disbursements	7,019,000	8,140,430	0	0	7,019,000	8,140,430
Change in Net Position	1,754,792	(29,341)	0	36	1,754,792	(29,305)
Net Position - Beginning of Year, Restated	729,518	N/A	36	0	729,554	N/A
Net Position - End of Year	\$ 2,484,310	\$ 729,518	\$ 36	\$ 36	\$ 2,484,346	\$ 729,554

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall receipts generated by the levy will not increase as a result of inflation. 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 its value was 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 \$35.00.

Thus, School Districts dependent upon property taxes are hampered by a lack of receipts growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 31.36 percent of receipts for governmental activities for the School District in fiscal year 2021.

Operating Grants and Contributions increased from \$444,676 to \$1,555,580, or 250%, as a result of the School District receiving CARES Act funding to assist with the COVID-19 pandemic.

Instruction comprises 60.1 percent of governmental program disbursements, and decreased by \$1,106,524 as a result of reduction of force due to the COVID-19 pandemic.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. A comparative analysis of 2021 to 2020 is presented.

Table 3 - Comparison of Total Cost and Net Cost of Services

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction:				
Regular	\$ 3,113,713	\$ 4,037,362	\$ (938,023)	\$ (2,325,321)
Special	860,018	1,023,041	(67,893)	(545,827)
Other	242,937	262,789	(242,937)	(262,789)
Supporting Services:				
Pupils	715,619	321,624	(487,176)	(196,466)
Instructional Staff	121,827	199,806	(114,141)	(199,806)
Board of Education	70,814	69,016	(70,814)	(69,016)
Administration	756,779	898,769	(753,296)	(886,228)
Fiscal Services	158,330	199,526	(158,330)	(199,526)
Business	18	60	(18)	(60)
Operation and Maintenance of				
Plant	585,375	599,940	(537,660)	(599,940)
Pupil Transportation	65,635	31,312	(65,388)	(31,312)
Central	36,412	112,520	(36,412)	(112,520)
Operation of Non-Instructional Services	17,763	35,659	(16,292)	(35,659)
Extracurricular Activities	273,760	349,006	(251,125)	(323,924)
Total Governmental Activities	<u>\$ 7,019,000</u>	<u>\$ 8,140,430</u>	<u>\$ (3,739,505)</u>	<u>\$ (5,788,394)</u>

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$9,156,980 (includes other financing sources) and disbursements of \$7,402,328 (includes other financing uses). The net change in fund balance for the General Fund, an increase of \$1,867,598, was a result of the School District being conservative in their spending as it dealt with COVID-19 pandemic.

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.

For the General Fund, the original budget basis receipts of \$7,282,148 (including other financing sources) was increased in the final budget basis receipts to \$7,444,529. During fiscal year 2021, the School District's final budget basis receipts for property tax receipts was \$2,759,108.

The original appropriations (including other financing uses) were \$7,308,081 and was subsequently decreased to \$5,955,003 for the final appropriations (including other financing uses).

Economic Factors

The School District is dependent on its local taxpayers. Based on the current financial information, even with the budget cuts enacted for fiscal year 2021, and the maintenance of current program and staffing levels, the School District will need to closely monitor revenues and expenditures in order to maintain financial stability. The School District administration believes that an operating levy for new funds will be necessary to continue to operate effectively.

Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District, as well as careful planning to ensure that significant outlays may be made in the future to address the School District's facility's needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Sherry Williamson, Treasurer at Fairport Harbor Exempted Village School District, 329 Vine Street, Fairport Harbor, Ohio 44077 or email at swilliamson@fhevs.org

Statement of Net Position – Cash Basis

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 2,484,310	\$ 36	\$ 2,484,346
Total Assets	2,484,310	36	2,484,346
 NET POSITION			
Restricted for:			
Federal Grants	10,532	0	10,532
State Grants	50,468	0	50,468
Student Activities	42,489	0	42,489
District Managed Activities	24,406	0	24,406
Other Grants	3,483	0	3,483
Capital Projects	15,436	0	15,436
Set Asides	267,907	0	267,907
Student Scholarships	10,239	0	10,239
Endowment	10,000	0	10,000
Unrestricted	2,049,350	36	2,049,386
Total Net Position	\$ 2,484,310	\$ 36	\$ 2,484,346

See accompanying notes to the basic financial statements.

Fairport Harbor Exempted Village School District, Lake County

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2021

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$ 3,113,713	\$ 1,323,424	\$ 852,266	\$ (938,023)	\$ 0	\$ (938,023)
Special	860,018	377,856	414,269	(67,893)	0	(67,893)
Other	242,937	0	0	(242,937)	0	(242,937)
Supporting Services:						
Pupils	715,619	0	228,443	(487,176)	0	(487,176)
Instructional Staff	121,827	0	7,686	(114,141)	0	(114,141)
Board of Education	70,814	0	0	(70,814)	0	(70,814)
Administration	756,779	0	3,483	(753,296)	0	(753,296)
Fiscal Services	158,330	0	0	(158,330)	0	(158,330)
Business	18	0	0	(18)	0	(18)
Operation and Maintenance of Plant	585,375	0	47,715	(537,660)	0	(537,660)
Pupil Transportation	65,635	0	247	(65,388)	0	(65,388)
Central	36,412	0	0	(36,412)	0	(36,412)
Operation of Non-Instructional Services	17,763	0	1,471	(16,292)	0	(16,292)
Extracurricular Activities	273,760	22,635	0	(251,125)	0	(251,125)
Total Governmental Activities	<u>7,019,000</u>	<u>1,723,915</u>	<u>1,555,580</u>	<u>(3,739,505)</u>	<u>0</u>	<u>(3,739,505)</u>
Business-Type Activities						
Total Business-Type Activities	0	0	0	0	0	0
Total	<u>\$ 7,019,000</u>	<u>\$ 1,723,915</u>	<u>\$ 1,555,580</u>	<u>(3,739,505)</u>	<u>0</u>	<u>(3,739,505)</u>
General Receipts						
Property Taxes levied for:						
General Purposes				2,751,067	0	2,751,067
Grants & Entitlements not restricted to specific programs				2,545,653	0	2,545,653
Investment Income				1,889	0	1,889
All Other Revenues				195,688	0	195,688
Total General Receipts				<u>5,494,297</u>	<u>0</u>	<u>5,494,297</u>
Change in Net Position				1,754,792	0	1,754,792
Net Position - Beginning of Year, Restated				729,518	\$ 36	729,554
Net Position - End of Year				<u>\$ 2,484,310</u>	<u>\$ 36</u>	<u>\$ 2,484,346</u>

See accompanying notes to the basic financial statements.

Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 2,316,202	\$ 167,053	\$ 2,483,255
Total Assets	\$ 2,316,202	\$ 167,053	\$ 2,483,255
 Fund Balances			
<i>Nonspendable</i>			
Unclaimed Funds	847	0	847
<i>Restricted for</i>			
Student Scholarships	0	10,239	10,239
Endowment	0	10,000	10,000
Athletics	0	24,406	24,406
Student Activities	0	42,489	42,489
Special Education	0	6	6
Disadvantaged Children	0	7,826	7,826
Teacher Development	0	1,670	1,670
Capital Improvements	0	15,436	15,436
Other Grants	0	5,218	5,218
Student Wellness	0	49,763	49,763
Set Aside Balances	267,907	0	267,907
<i>Assigned to</i>			
Public School Support	20,027	0	20,027
Instructional Activities	73,589	0	73,589
Supporting Services	76,901	0	76,901
Extracurricular Activities	12,346	0	12,346
<i>Unassigned</i>	1,864,585	0	1,864,585
Total Fund Balances	\$ 2,316,202	\$ 167,053	2,483,255
Adjustment to reflect the consolidation of internal service fund activities			1,055
			\$ 2,484,310

**Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2021**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Receipts</u>			
Taxes	\$ 2,751,067	\$ 0	\$ 2,751,067
Intergovernmental	2,797,406	1,300,652	4,098,058
Interest	1,889	0	1,889
Tuition and Fees	1,701,140	0	1,701,140
Extracurricular Activities	63	19,919	19,982
Contributions and Donations	0	3,175	3,175
Miscellaneous	195,625	2,716	198,341
Total Receipts	7,447,190	1,326,462	8,773,652
<u>Disbursements</u>			
Current:			
Instruction:			
Regular	2,398,707	715,006	3,113,713
Special	687,048	172,970	860,018
Other	242,937	0	242,937
Supporting Services:			
Pupils	463,359	252,260	715,619
Instructional Staff	80,767	41,060	121,827
Board of Education	70,814	0	70,814
Administration	750,943	5,836	756,779
Fiscal Services	158,330	0	158,330
Business	18	0	18
Operation and Maintenance of Plant Services	513,351	72,024	585,375
Pupil Transportation	63,048	2,587	65,635
Central	29,339	7,073	36,412
Operation of Non-Instructional Services	16,396	1,367	17,763
Extracurricular Activities	158,192	115,568	273,760
Total Disbursements	5,633,249	1,385,751	7,019,000
Excess of Receipts Over(Under) Disbursements	1,813,941	(59,289)	1,754,652
<u>Other Financing Sources (Uses)</u>			
Advances In	218,493	13,317	231,810
(Advances Out)	(13,317)	(218,493)	(231,810)
Transfer In	0	151,519	151,519
(Transfer Out)	(151,519)	0	(151,519)
Total Other Financing Sources (Uses)	53,657	(53,657)	0
Net Change in Fund Balance	1,867,598	(112,946)	1,754,652
Beginning Fund Balance, Restated	448,604	279,999	728,603
Ending Fund Balance	\$ 2,316,202	\$ 167,053	\$ 2,483,255

See accompanying notes to the basic financial statements.

Fairport Harbor Exempted Village School District, Lake County

**Statement of Receipts, Disbursements and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual – General Fund
For the Fiscal Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>Receipts</u>				
Taxes	\$ 2,617,627	\$ 2,759,108	\$ 2,751,067	\$ (8,041)
Intergovernmental	2,649,400	2,661,854	2,797,406	135,552
Interest	1,789	1,797	1,889	92
Tuition and Fees	1,611,135	1,618,709	1,701,140	82,431
Miscellaneous	183,704	184,567	193,966	9,399
Total Receipts	<u>7,063,655</u>	<u>7,226,036</u>	<u>7,445,468</u>	<u>219,432</u>
<u>Disbursements</u>				
Current:				
Instruction:				
Regular	2,995,303	2,418,957	2,416,899	2,058
Special	907,238	736,311	735,685	626
Other	317,699	249,909	249,697	212
Supporting Services:				
Pupils	570,614	463,919	463,524	395
Instructional Staff	127,627	95,131	95,050	81
Board of Education	88,345	72,045	71,984	61
Administration	968,642	764,367	763,716	651
Fiscal Services	219,626	156,615	156,304	311
Business	43	35	35	0
Operation and Maintenance of Plant Services	752,659	558,426	557,951	475
Pupil Transportation	77,378	63,102	63,048	54
Central	36,007	29,364	29,339	25
Operation of Non-Instructional Services	20,123	16,410	16,396	14
Extracurricular Activities	226,777	170,684	170,538	146
Total Disbursements	<u>7,308,081</u>	<u>5,795,275</u>	<u>5,790,166</u>	<u>5,109</u>
Excess of Receipts Over(Under) Disbursements	(244,426)	1,430,761	1,655,302	224,541
<u>Other Financing (Uses)</u>				
Advances In	218,493	218,493	218,493	0
(Advances Out)	0	(13,317)	(13,317)	0
(Transfer Out)	0	(146,411)	(151,519)	(5,108)
Total Other Financing (Uses)	<u>218,493</u>	<u>58,765</u>	<u>53,657</u>	<u>(5,108)</u>
Net Change in Fund Balance	(25,933)	1,489,526	1,708,959	219,433
Fund Balance - Beginning of Year	221,627	221,627	221,627	0
Prior Year Encumbrances Appropriated	201,906	201,906	201,906	0
Fund Balance - End of Year	<u>\$ 397,600</u>	<u>\$ 1,913,059</u>	<u>\$ 2,132,492</u>	<u>\$ 219,433</u>

See accompanying notes to the basic financial statements.

Statement of Fund Net Position – Cash Basis
Proprietary Funds
June 30, 2021

	Business-Type Activities	Governmental Activities -
	Non-Major Enterprise Funds	Internal Service Fund
ASSETS		
Equity in Pooled Cash and Cash Equivalents	\$ 36	\$ 1,055
Total Assets	\$ 36	1,055
 NET POSITION		
Unrestricted	36	1,055
Total Net Position	\$ 36	\$ 1,055

See accompanying notes to the basic financial statements.

**Statement of Cash Receipts, Disbursements and Changes in Fund Net Position – Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2021**

	Business-Type Activities	Governmental Activities -
	Non-Major Enterprise Funds	Internal Service Fund
<u>Operating Receipts</u>		
Charges for Services	\$ 0	\$ 140
Total Operating Receipts	0	140
<u>Operating Disbursements</u>		
Total Operating Disbursements	0	0
Change in Net Position	0	140
Beginning Net Position	36	915
Ending Net Position	\$ 36	\$ 1,055

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1: REPORTING ENTITY

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

The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms and provides educational services as mandated by State or federal agencies. The Board controls the School District’s two educational facilities consisting of one elementary (K-5) and one high school (6-12).

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

A. Primary Government

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.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District is associated with three jointly governed organizations, a claims servicing pool, a related organization and an insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Auburn Vocational School District, the Ohio Schools Council, Lake County School Council, the Fairport Harbor Public Library and the Ohio Boards’ Association Workers’ Compensation Group Rating Program which are presented in Notes 13, 14, 15 and 16 to the basic financial statements.

The School District’s management believes these financial statements present all activities for which the School District is financially accountable.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2(C), these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and proprietary 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.

Proprietary fund financial statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund financial statements report all other receipts and disbursements as nonoperating.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Fund Accounting

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

Governmental Funds The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following is the School District's major fund:

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

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.

Proprietary Funds The School District classifies funds financed primarily from user charges for goods or services as proprietary.

Enterprise Funds - The Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's Enterprise Funds account for uniform school supplies.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's fiduciary funds are custodial funds, which are used to account for fees paid to OHSA. The custodial fund did not have a cash balance or activity during and as of fiscal year 2021.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting** (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) and deferred inflows/outflows are not recorded in these financial statements.

D. **Budgetary Process**

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

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

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

E. **Cash and Investments**

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

Investments of the School District's 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

During fiscal year 2021, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2021 was \$1,889.

F. **Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The School District did not have any restricted assets as of June 30, 2021.

G. **Inventory and Prepaid Items**

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. **Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. **Interfund Receivables/Payables**

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. **Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District’s cash basis of accounting.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, 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.

L. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports \$434,960 of the restricted component of net position, none of which is restricted by enabling legislation. The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

N. Fund Balance

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

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

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

O. **Fund Balance** (Continued)

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the School District’s Board of Education.

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

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. **Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

During the fiscal year, the School District implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Implementation Guide No. *2019-1 Update* and Implementation Guide No. *2019-2 Fiduciary Activities*. These changes were incorporated in the School District’s 2020 financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implication that result from the replacement of an IBOR. The implementation of this Statement did not have an effect on the financial statements of the School District.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

GASB Statement No. 84, *Fiduciary Activities*. This Statement established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of beginning net position for custodial funds from \$25,953 to \$0.

The implementation of GASB Statement No. 84 had the following effect on Governmental fund balance/net position.

	General Fund	Other Governmental	Total
Fund Balance June 30, 2020	\$ 446,578	\$ 256,072	\$ 702,650
Adjustments:			
GASB Statement No. 84	2,026	23,927	25,953
Restated Fund Balance June 30, 2020	\$ 448,604	\$ 279,999	\$ 728,603
	Governmental Activities		
Net Position June 30, 2020	\$ 703,565		
Adjustments:			
GASB Statement No. 84	25,953		
Restated Net Position June 30, 2020	\$ 729,518		

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a part of restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$162,836. The Public School Support and Unclaimed Funds are rolled into the General Fund on cash basis in the amount of \$20,027 and \$847, respectively, but have a separate legally updated budget. A fund provided to account for specific local revenue sources, other than taxes or expendable trusts (i.e. profits from vending machines, sales of pictures, etc.), that are restricted to expenditures for specified purposes approved by board resolution.

NOTE 5: **DEPOSITS AND INVESTMENTS**

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

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association.

All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty (180) days in an amount not to exceed forty (40) percent of the interim monies available for investment at any one time if training requirements have been met; and
9. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits

Custodial Credit Risk Custodial credit risk for deposits 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, the School District’s bank balance was \$442,331. Of that amount, \$250,000 was insured by the FDIC. The remaining balance of \$192,331 was fully collateralized by OPCS.

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 protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The School District’s financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

Investments

As of June 30, 2021, the School District had the following investments:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturities (in Years)</u>
			<1
STAR Ohio	<u>\$ 2,046,171</u>	AAAm	<u>\$ 2,046,171</u>

* Credit Rating was obtained from Standard & Poor's for all investments.

The School District has categorized 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.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk See the above table for credit ratings for all investments. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Custodial Credit Risk For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments other than STAR Ohio are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent but not in the School District’s name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The School District’s investment STAR Ohio represents all of the School District’s total investments.

NOTE 6: **PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility tangible personal property (used in business) located in the School District. Real property tax receipts received in calendar 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2019, were levied after April 1, 2020 and are collected in 2021 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The full tax rate at the fiscal year ended 2021 was \$88.04 per \$1,000 of assessed valuation. The assessed values of real and public utility property on which the fiscal years 2020 and 2021 taxes were collected were as follows:

	2020 2nd Half Collection		2021 1st Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 54,220,660	92.68%	\$ 54,740,120	92.19%
Public Utility Personal	4,522,720	7.32%	4,640,120	7.81%
Total	<u>\$ 58,743,380</u>	<u>100.00%</u>	<u>\$ 59,380,240</u>	<u>100.00%</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 7: INTERFUND TRANSACTIONS

Transfers of \$151,519 were made from the General fund into other governmental funds. All transfers comply with the Ohio Revised Code.

Advances of \$218,493 were made to cover current operating expenses and grant expenses related to timing differences and repay prior period advances. All advances comply with Ohio Revised Code.

NOTE 8: RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the School District contracted with various insurance agencies for various types of insurance. Coverage is as follows:

Package Policy	Coverage
Schools of Ohio Risk Sharing Authority Limits	Amounts
Blanket Property Coverage	\$ 32,778,691
Equipment Breakdown - subject to policy limits (\$1,000 Deductible)	32,778,691
Computer Coverage (\$1,000 Deductible)	70,000
General Liability Coverage	4,000,000
Sexual Misconduct	4,000,000
Employers Stop Gap Liability	4,000,000
School Leaders E & O Liability Claims Made (\$2,500 Deductible)	4,000,000
Public Employee Dishonesty Blanket Bond (\$2,500 Deductible)	100,000
Forgery and Alteration (\$1,000 Deductible)	100,000
Money and Securities (on premises) (\$1,000 Deductible)	25,000
Theft Disappearance & Destruction (off premises) (\$1,000 Deductible)	25,000
 Automobile Policy	
Schools of Ohio Risk Sharing Authority	
Auto Liability	\$ 4,000,000
Medical Payments	5,000
Uninsured Motorists Liability	1,000,000
Comp/Collision Deductibles (\$1,000)	

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 8: **RISK MANAGEMENT** (Continued)

A. **Property and Liability** (Continued)

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.

All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

B. **Employee Medical Coverage**

The School District has elected to provide medical coverage through premium payments to the Lake County School Council Self Insurance Program. See Note 14 for additional information.

C. **Workers' Compensation**

For fiscal year 2021, the School District participated in the Ohio Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). 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. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Comp. Management provides administrative, cost control and actuarial services to the GRP.

NOTE 9: **DEFINED BENEFIT PENSION PLANS**

A. **Net Pension Liability**

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

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

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (Continued)

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the total employer contributions of all participating entities.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0160802%	0.03029561%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.0146544%</u>	<u>0.02822373%</u>	
Change in Proportionate Share	<u>-0.0014258%</u>	<u>-0.00207188%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 969,272	\$ 6,829,138	\$ 7,798,410
Pension Expense	\$ 79,502	\$ 361,808	\$ 441,310

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The most recent experience study was completed June 30, 2015.

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

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
International Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
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).

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (Continued)

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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 1,327,786	\$ 969,272	\$ 668,474

Changes since measurement date The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS’ investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on SERS’ future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

At its September meeting 2020, the Board unanimously voted to approve a 0.5% cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries in 2021. Previously, COLAs were suspended from 2018 through 2020.

Actuarial Assumptions- STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation.

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	0.0 percent

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (Continued)

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

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's 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, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

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, 2020.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (Continued)

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	\$ 9,723,504	\$ 6,829,138	\$ 4,376,404

B. **Employees Retirement System (SERS)**

Plan Description –School District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 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% and with a floor of 0.0%.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Employees Retirement System (SERS) (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2021, the allocation to pension, death benefits, and Medicare B was the entire 14.0 percent.

The School District's contractually required contribution to SERS for the fiscal year ended June 30, 2021 was \$62,092.

C. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. 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. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

C. **Plan Description - State Teachers Retirement System** (Continued)

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 in the GASB 68 schedules of employer allocation and pension amounts by employer.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2021, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS for the fiscal year ended June 30, 2020 was \$406,223.

NOTE 10: **DEFINED BENEFIT OPEB PLANS**

A. **Net OPEB Liability/Asset**

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

The net OPEB liability and net OPEB asset represent the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability and net OPEB asset calculations are 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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

A. **Net OPEB Liability/Asset** (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability and net OPEB asset.

Resulting adjustments to the net OPEB liability and net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

B. **Employees Retirement System (SERS)**

Plan Description - Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population.

For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

B. Employees Retirement System (SERS) (Continued)

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 2021, there was no contribution made to health care. A 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 2021, this amount was \$23,000. 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.

The surcharge, is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$8,732 for fiscal year 2020.

C. State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

D. Net OPEB Liability/Asset

The net OPEB liability and net OPEB asset were measured as of June 30, 2020, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability and net OPEB asset were based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. On the following page is information related to the proportionate share and OPEB expense:

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. Net OPEB Liability/Asset (Continued)

	SERS	STRS	Total
Proportion of the Net OPEB Liability/asset			
Prior Measurement Date	0.0164490%	0.03029561%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	0.0152784%	0.02822373%	
Change in Proportionate Share	-0.0011706%	-0.00207188%	
Proportionate Share of the Net OPEB			
Liability/(asset)	\$ 332,051	\$ (496,032)	\$ (163,981)
OPEB Expense	\$ (18,689)	\$ (29,913)	\$ (48,602)

Actuarial Assumptions - SERS

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

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

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. Net OPEB Liability/Asset (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized on the following page:

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. Net OPEB Liability/Asset (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 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 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate. health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (1.63%)</u>	<u>Current Discount Rate (2.63%)</u>	<u>1% Increase (3.63%)</u>
School District's proportionate share of the net OPEB liability	\$ 406,421	\$ 332,051	\$ 272,925

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. Net OPEB Liability/Asset (Continued)

	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	\$ 261,464	\$ 332,051	\$ 426,441

Changes since measurement date The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of SERS, including the fair value of SERS' investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on SERS' future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuations 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	Initial	Ultimate
Medical		
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

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

Actuarial assumptions used in the June 30, 2020 valuations are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. Net OPEB Liability/Asset (Continued)

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

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

* 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 actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability/asset was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability/asset as of June 30, 2020.

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, 2020, 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.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net OPEB asset	\$ 431,580	\$ 496,032	\$ 550,717

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 10: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. Net OPEB Liability/Asset (Continued)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 547,322	\$ 496,032	\$ 433,552

Benefit Term Changes Since the Prior Measurement Date There was no change to the claim's costs process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

NOTE 11: **CONTINGENCIES**

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, based on prior experience, management believes the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, would be immaterial.

B. Litigation

As of June 30, 2021, the School District was a party to legal proceedings. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the School District's financial condition.

C. State Foundation Funding

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 impact of enrollment adjustments to the June 30, 2021 foundation funding for the School District and as a result, a receivable to and a liability of the School District has not been recorded.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 12: SET-ASIDE REQUIREMENTS

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. These amounts must be carried forward to be used for the same purposes in future years.

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

	Capital Improvement
Set-aside balances as of June 30, 2020	\$ 211,071
Current year set-aside requirements	119,463
Qualifying disbursements	(62,627)
Total	\$ 267,907
Balance Carried Forward	\$ 267,907

The School District did not have enough qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero.

NOTE 13: JOINTLY GOVERNED ORGANIZATIONS

Lake Geauga Computer Association - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 19-member School Districts. Each of the School Districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member School Districts. The degree of control exercised by any participating School District is limited to its representation on the governing board. LGCA's continued existence is not dependent upon the School District's continued participation. Financial information can be obtained by writing the Lake Geauga Computer Association, 8221 Auburn Road, Concord Township, Ohio 44077.

Auburn Vocational School District - The Auburn Vocational School District is a joint vocational school operated by ten School Districts. Each participating School District appoints one board member to the Auburn Vocational School District's Board of Education. The students of each participating School District may attend classes offered at the vocational facility. Each participant control over the operation of the Auburn Vocational School District is limited to representation on the board. The Auburn Vocational School District receives 1.5 mills of School District property taxes which is paid to the Auburn Vocational School District directly by Lake County. Continued existence of the Auburn Vocational School District is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Vocational School District, 8221 Auburn Road, Concord Township, Ohio 44077.

Ohio Schools Council - The Ohio Schools Council (Council) is a jointly governed organization among 254 School Districts. The jointly governed organization was created by School Districts for the purpose of saving money through volume purchases. Each School District supports the Council by paying an annual participation fee. Each School District member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September through June.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 13: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any School District is limited to its representation on the Board. In fiscal year 2021, the School District paid \$350 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the Council's natural gas program. The Council provides participating School Districts the ability to purchase natural gas at reduced rates, if the School Districts will commit to participating for a twelve-year period. There are currently 165 School Districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and School Districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

NOTE 14: **CLAIMS SERVICING POOL**

The School District participates in the Lake County School Council (LCSC) Self Insurance Program, a claims servicing pool comprised of ten Lake County School Districts and one Cuyahoga County School District. Each School District has a representative on the assembly (usually the superintendent or Treasurer). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five-member Board of Directors elected by the LCSC's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. Financial information can be obtained by writing Michael J. Vaccariello, Treasurer for the Health Care Benefits Program of Lake County Schools Council, Madison Local Schools, 1956 Red Bird Road, Madison, Ohio 44057.

NOTE 15: **RELATED ORGANIZATION**

The Fairport Harbor Public 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 Board of Trustees appointed by the Fairport Harbor Exempted Village School District's Board of Education. The Board of Trustees possess 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 tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fairport Harbor Public Library, Phil Spinelli, Fiscal Officer, at 335 Vine Street, Fairport Harbor, Ohio, 44077.

NOTE 16: **INSURANCE PURCHASING POOL**

The School District participates in the Ohio Boards' Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of OSBA. The Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 17: COMPLIANCE

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

NOTE 18: 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 District. The District's investment portfolio and the investments of the pension and other employee benefit plans in which the 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 District's future operating costs, revenues, and additional recovery from the emergency funding, either federal or state, cannot be estimated.

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Ohio Department of Education</i>			
<i>COVID-19 Funding:</i>			
CRF - Coronavirus Relief Fund	21.019	2021	\$26,461
Ohio Broadband Connectivity	21.019	2021	80,219
Subtotal - CRF - Coronavirus Relief Fund			<u>106,680</u>
Total U.S. Department of Treasury			<u>106,680</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	2020	25,935
	84.010A	2021	212,652
Total - Title I			<u>238,587</u>
<i>Special Education Cluster:</i>			
ESCE Restoration Grant	84.173A	2020	2,157
	84.173A	2021	2,642
Subtotal - ESCE Restoration Grant			<u>4,799</u>
Special Education: Grants to States	84.027A	2021	23,802
	84.027A	2020	129,968
Subtotal - Special Education: Grants to States			<u>153,770</u>
Total - Special Education Cluster			<u>158,569</u>
ESSER I	84.425D	2021	63,886
ESSER II	84.425D	2021	356,415
Total - ESSER			<u>420,301</u>
Improving Teacher Quality State Grants	84.367A	2021	31,560
Title IV - Student Support	84.424A	2021	6,149
Total U.S. Department of Education			<u>855,166</u>
Total			<u><u>\$961,846</u></u>

The accompanying notes are an integral part of this schedule.

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Fairport Harbor Exempted Village School District (the District) under programs of the federal government for the year ended June 30, 2021. 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 cash financial position, changes in cash position or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - MATCHING REQUIREMENTS

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



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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**

Fairport Harbor Exempted Village School District
Lake County
329 Vine Street
Fairport Harbor, Ohio 44077

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 cash-basis financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Fairport Harbor Exempted Village School District, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 19, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

May 19, 2022

OHIO AUDITOR OF STATE KEITH FABER



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

Fairport Harbor Exempted Village School District
Lake County
329 Vine Street
Fairport Harbor, Ohio 44077

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Fairport Harbor Exempted Village 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 Fairport Harbor Exempted Village School District's major federal program for the year ended June 30, 2021. 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, Fairport Harbor Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

May 19, 2022

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS
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(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)?	Yes
(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):	ESSER AL# 84.425D
(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?	No

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

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

Annual Financial Reporting

FINDING NUMBER 2021-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on a form utilized by the public office.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Fairport Harbor Board of Education

Home of the Skippers

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT LAKE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Annual Financial Report	Not Corrected	Repeated as Finding 2021-001

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Fairport Harbor Board of Education

Home of the Skippers

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2021

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	GAAP Statements have not been filed since the cost of preparing GAAP Statements outweighs the benefit. It is not anticipated that GAAP Statements will be filed in the future.	n/a	Sherry Williamson, Treasurer; Dr. Domenic Paolo, Superintendent

OHIO AUDITOR OF STATE KEITH FABER



FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT

LAKE 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 6/7/2022

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